

# Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The World's Daily Newspaper

R

Paris, Saturday-Sunday, May 9-10, 1998

No. 35,826

## U.S. Job Machine Rolls On With Little Sign of Inflation

By Mitchell Martin  
International Herald Tribune

NEW YORK — The U.S. unemployment rate fell to a 28-year low of 4.3 percent in April, the government said Friday, as 262,000 jobs were created, indicating the economy's seven-year expansion has farther to run.

Investors welcomed the news, which contained elements that allayed fears of an interest-rate increase, and stock prices rose. The Dow Jones industrial average closed 78.47 points higher at 9,055.15.

The unemployment report from the Labor Department is the first look at the previous month's

economy, so it is closely followed on Wall Street. In recent days, investors had been worried that the Federal Reserve Board would push up short-term interest rates to slow the economy before

German jobs rate falls to 11.4%. Page 11.

rising wage costs spilled over into prices. But the employment report allayed those concerns.

Stan Shipley, a Merrill Lynch & Co. economist, said that when averaged with the decline in job creation in March, the data indicated the economy was adding 130,000 to 150,000 jobs per month, "which is not very threatening" to in-

vestors who fear the Fed will soon raise rates. Now, he added, "there is no way the Fed will tighten in May," and the report "calls into question whether they will tighten in July." The central bank's Open Market Committee meets at six-week intervals to decide its interest-rate policy.

The figures contained some statistical quirks that seem to have overstated the fall in unemployment, which surprised analysts and investors. The companion report that showed that 262,000 jobs were created was in line with market expectations. The unemployment rate is taken from a household survey, while the payroll statistics

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The Dollar			
	New York	Friday @ 4 P.M.	previous close
DM	1.7694		1.7685
Pound	1.6355		1.6345
Yen	132.845		133.30
FF	5.9327		5.927

The Dow			
	Friday close	previous close	
Dow	9055.15	8978.68	
S&P 500			
change	Friday @ 4 P.M.	previous close	
	+13.00	1108.14	1095.14

## Netanyahu Aide Sees 'No Way' To Meet Deadline For Talks in U.S.

He Speaks After Clinton Envoy Discusses West Bank Pullout With Israeli Prime Minister

By Serge Schmemmann  
New York Times Service

JERUSALEM — An Israeli government spokesman said Friday night that there was "no way" Prime Minister Benjamin Netanyahu could meet Washington's deadline of Monday to decide on withdrawing troops from another 13 percent of the West Bank.

But the spokesman, David Bar-Ilan, insisted that Mr. Netanyahu was still "hoping to find a solution that would be satisfactory to all sides, and to go on."

He declined to say whether a decision Tuesday was a possibility. The Clinton administration has signaled that it might be willing to postpone its deadline a day or two, but not more.

Mr. Bar-Ilan spoke after Mr. Netanyahu met for an hour and a half with President Bill Clinton's special

American Jewish support for the Clinton administration is holding firm. Page 15

envoy to the Middle East, Dennis Ross. He flew into Israel on a U.S. Air Force plane Friday for a last-ditch attempt to salvage a deal that would restart peace negotiations with the Palestinians.

Neither Mr. Netanyahu nor Mr. Ross offered any comment before the Jewish Sabbath imposed a curtain of public silence at sundown. Mr. Ross was to remain in Israel through Saturday, leaving open the possibility of further discussions, though none were publicly announced.

Mr. Bar-Ilan's comments underscored the acute brinkmanship that was evidently being exercised by both the Israelis and Americans now that Mr. Clinton has issued for the first time what amounted an ultimatum.

After more than a year of futile efforts to restart negotiations, Secretary of State Madeleine Albright told Mr. Netanyahu in London this past week that he had until Monday to accept an American package calling on Israel to transfer control over another 13 percent of the West Bank to the Palestinians in exchange for a concrete Palestinian plan of action against terrorism.

If they agreed, Mr. Netanyahu and Yasser Arafat of the Palestinian Authority were invited to come to Washington to begin talks on a final Middle East settlement.

Mr. Netanyahu's rightist government has repeatedly warned that it cannot accept anything bigger than a 9 percent pullback, and the prime minister promptly began a counterattack, accusing the Clinton administration of tampering with Israel's security and calling on his supporters among American Jews and in the U.S. Congress to intervene.

One of Mr. Netanyahu's current problems is that Ariel Sharon, the most influential hawk in his cabinet, and two other key members are abroad.

The cabinet meets regularly on Sunday, but Mr. Bar-Ilan said the question of a further withdrawal was not formally on the agenda. He portrayed the gov-

## U.S. Senate Unanimous On Overhauling the IRS

Taxpayers Would Get Extensive New Rights

By Albert B. Crenshaw  
Washington Post Service

WASHINGTON — The U.S. Senate has voted unanimously to approve the most far-reaching overhaul of the Internal Revenue Service in more than 45 years, responding to a political outcry over alleged abuses by the tax collection service's agents and managers.

The measure, passed by a vote of 97 to 0, would set up an oversight board made up mostly of nongovernment members to review IRS operations, set policy and establish greater Treasury Department control over the internal unit that investigates complaints against the agency.

It also would grant taxpayers extensive new rights in dealing with the service. Under the bill, if a taxpayer became embroiled in a court battle with the government over a tax liability, the burden of proof would fall on the service rather than the taxpayer, so long as the taxpayer kept records and cooperated with the service.

The measure would provide new protections for people stuck with tax bills incurred by a former spouse, limit penalties and interest now imposed in a variety of situations and restrict the

agency's collection methods. The Senate bill would cost the Treasury an estimated total of \$18.3 billion over 10 years, most of that from revenue losses resulting from the new taxpayer rights.

The senators agreed to pay for those costs by restricting several corporate write-offs and by making it easier for wealthy senior citizens to convert traditional individual retirement accounts to new Roth IRAs. Critics contended that the IRA provision would increase revenue only in the short run while losing it in the future years.

"The IRS is going to change and change dramatically as result of this" legislation, said Senator Bob Kerrey, Democrat of Nebraska, who was co-chairman of a congressional commission that spent a year studying the agency. Along with the Senate Finance Committee chairman, William Roth Jr., Republican of Delaware, Mr. Kerrey was a key architect of the measure.

Beyond the rules and structural changes, Mr. Roth said the bill would change the culture of the IRS from a focus on law enforcement to one on customer service.

Today, "the agency has too much

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## Ramos Cools Off, and Businesses Warm to His No. 2



President Fidel Ramos of the Philippines trying to beat the heat with a towel as he campaigned Friday for his candidates. He opposes the front-runner in the presidential election Monday, Vice President Joseph Estrada, who is gaining acceptance by the business community. Page 9.

## Rattled Japan Carmakers Keep Hope in Face of Mega-Merger

By Sheryl WuDunn  
New York Times Service

NATSUSHIMA, Japan — Standing inside the dormitory he manages for Nissan Motor Co., Mitsunori Goto looked a bit befuddled by the whirlwind on the other side of the world. "It's an epoch-making event and I feel a little bit left behind," Mr. Goto said.

A former factory team leader at Nissan, Mr. Goto, 60, was speaking of the union between Chrysler Corp. and Daimler-Benz AG. And if

he and other people are dismayed here in Natsushima, a company town 65 kilometers (40 miles) from Tokyo where Nissan produces cars-

Battle for Rolls-Royce isn't over. Page 9.

mostly headed for America, it is because this is not the way it was supposed to happen.

Not long ago, it was the Japanese auto companies that seemed to be invading the United States and poised to take over the world. Now a new

auto giant has been forged by melding a U.S. company that Japanese auto companies almost killed off two decades ago with a German firm that was perceived as filling a luxury niche.

In Japan, the greatest auto manufacturing country in the world outside the United States, there is still a feeling, perhaps mixed with a good deal of hope, that the merger between Chrysler and Daimler-Benz will not immediately affect Japan. Analysts say that Japanese cars are still well-designed and relatively cheap, and that Japan has cornered more than

half of the market for cars in Asia, which, according to Merrill Lynch, will still be a growing market in the long run.

And Toyota Motor Co. and Honda Motor Co., which make some of the most world's competitive cars, have been on a hot streak and their worldwide sales are expected to remain brisk. Indeed, Honda's profit returns are not too far behind those of U.S. companies, and Toyota, with \$21 billion in cash, has enough money to

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## An Awakening in Poland

Battered Women Get Attention in a Campaign To Sensitize the Public to Domestic Violence

By Jane Perlez  
New York Times Service

PRUSZKOW, Poland — In the beginning, Bozena L. felt flattered by the attention her new husband showered on her. He walked her to work, picked her up afterward and was always concerned about where she went.

In the style of many Polish men who love to act like gallant knights, he bowed his head and kissed women on the hand.

But as he began to abuse her, she realized his protectiveness was really jealousy. Now 15 years later, after suffering repeated beatings, she has brought criminal charges against him and filed for divorce. But Bozena, 47, and their two sons still live with the man she has long feared.

When her husband, Cacasar, a burly 60-year-old, came home to their cramped apartment on a recent night as Bozena sat with two visitors in a bedroom, he seethed with anger. He entered his bedroom, now separate from hers. Ever so slightly, she quivered.

Domestic violence is becoming a public issue in Poland, a nation where the sanctity of the family is of almost mythical importance and where most

homes are organized along strict patriarchal lines. An often quoted Polish proverb says, "If a man does not beat his wife, her liver rots."

But now women's groups are discussing the issue, holding "tribunals" where women tell their stories and seminars to sensitize the police and prosecutors, who have often dismissed such complaints.

A national billboard campaign has alerted Poles to the idea that brutality is more than just a family spat. One billboard shows a badly beaten woman with blood on her lips and her battered son. The tag line reads, "Because the soup was too salty."

Statistics are notoriously hard to pin down in Poland, but in 1995 the courts recorded a 33 percent rise in the number of domestic violence cases, suggesting

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A Warsaw billboard showing a battered face says, "Because he had to let off steam." It is part of a campaign to publicize domestic violence.

## AGENDA

### U.S. Cancels War Games in Indonesia

WASHINGTON (AFP) — The United States canceled a military training exercise with Indonesia and is reviewing all other scheduled joint military activities because of concern over the situation there, a Pentagon spokesman said Friday.

"We thought it would be inappropriate to continue training at this time," the spokesman said. At least 60 people were injured Friday by police beatings and tear gas during student protests in central Java. Page 4.

### Toll Increases to 91 in Italian Mud Slides

Italian rescue workers pulled out more bodies on Friday from homes and cars engulfed in mud slides, but said three days after the disaster that some isolated areas had yet to be reached. Authorities put the death toll at 91.

Clouds of choking, blinding dust, sent up from rivers of baking mud, hampered efforts to dig for the missing near Naples. Page 2.

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The IHT on-line: www.ihl.com

## Black Death's Gift: Protection From AIDS

By David Brown  
Washington Post Service

WASHINGTON — Survivors of the Black Death, which ravaged Europe in the 14th century, apparently bequeathed to their descendants the ability to resist infection by the AIDS virus.

That is the conclusion of a team of scientists studying a rare genetic mutation that confers on its carriers protection against the human immunodeficiency virus, which causes AIDS.

Although the origin of the mutation is obscure, it appears to have suddenly become relatively common among white Europeans about 700 years ago. That increase suggests something must have occurred about that time to favor greatly the survival of people carrying the mutation. In fact, such an event is known to have existed: the epidemic of bubonic plague that swept out of Asia and into Europe in 1346.

## Pilot Lands Blind in DC-9

Cockpit Window Smashed by Hail and Wind, But All 86 on U.S. Flight Escape Serious Injury

The Associated Press

CHATTANOOGA, Tennessee — Hailstones and high winds tore the nose cone away and broke a cockpit window of an AirTran jetliner, forcing the plane to make an emergency landing. None of the 86 people aboard was seriously injured.

"I love my wife," said a shaken Captain Benton West, the pilot of the scheduled flight Thursday from Atlanta to Chicago. "I'm going to see her again."

"We've been shot down twice in Vietnam," he said "so this — it wasn't going to end like this."

Amateur video footage aired on WTVF-TV in Chattanooga showed a smashed window and the torn nose cone of the DC-9 jetliner. There were also dents in the wings.

AirTran was formerly known as

Vahlet. The airline's name was changed in 1997, following a crash on May 11, 1996, in the Florida Everglades, in which 110 people were killed.

On May 1, 1996, American Airlines was forced to cancel nearly 300 flights after hail as big as softballs damaged 51 jets and 24 smaller planes parked at Dallas Fort-Worth International Airport.

David Garrett, air traffic manager at Chattanooga Metropolitan Airport, said the DC-9 had not lost its ability to land, "but the pilot wasn't able to because of the cracked windshield and the nose cone damage."

Controllers guided the aircraft to the runway while emergency crews were put on alert, Mr. Garrett said. Two people were sent to hospitals with minor injuries, and passengers were transferred to another plane bound for Chicago.

## 14th-Century Plague Caused Key Mutation

The chance of this gene "randomly drifting up" to its current frequency among white Europeans is unlikely, said Stephen O'Brien, a molecular biologist at the National Cancer Institute who headed the research team. "In fact, it's impossible," he said. "There had to have been something going on that jacked it up."

The Black Death was one of the cataclysmic events of recorded history. A bacterial disease spread by rats and fleas, it killed between one-quarter and one-third of Europe's population between 1347 and 1350. In some places — notably Florence, Marseille and other crowded Mediterranean cities — more than half the inhabitants are believed to have died.

Several waves of the disease followed the initial one, and the continent's population did not reach its pre-epidemic size for 100 years. By then, much of feudalism's distinct economic features had been crippled or swept away, and the modern period had begun.

Just as bubonic plague permanently altered the structure of Western society, so it appears to have altered the genetic endowment of Westerners, or at least some of them. The mechanism by which this might have occurred is fairly straightforward.

All genetic mutations arise by chance. Some are harmful and disappear quickly because people carrying them die before they can have children and pass on the mutation. Some are neutral, neither immediately harmful nor immediately beneficial. They spread through a population but never

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Newsstand Prices

Andorra.....	10.00 FF	Lebanon.....	11.3, 3,000
Antilles.....	12.50 FF	Morocco.....	18 Dh
Cameroun.....	1.600 CFA	Qatar.....	10.00 QR
Egypt.....	SE 5.50	Roumania.....	12.50 FF
France.....	10.00 FF	Saudi Arabia.....	10 SR
Gabon.....	1.100 CFA	Senegal.....	1.100 CFA
Italy.....	2.800 Lire	Spain.....	225 Ptas
Ivory Coast.....	1.250 CFA	Tunisia.....	1.250 Din
Jordan.....	1.250 JD	U.A.E.....	10.00 Dir
Kuwait.....	700 Fils	U.S. Mail (Est.).....	\$1.20



## Death Toll Rises to 91 In Mudslides Near Naples

The Associated Press

QUINDICI, Italy — Rescue workers pulled out more bodies on Friday from homes and cars engulfed in mud slides, but said three days after the disaster that some isolated areas had yet to be reached. Authorities put the death toll at 91.

Clouds of choking, blinding dust, sent up from rivers of baking mud stretching as far as the eye could see in some parts, hampered efforts to dig for the missing. Their numbers varied from about 100 to more than double that.

"The highest problem right now is the dust, because it creates respiratory problems and makes seeing difficult," said Quindici's head doctor, Mario Simionetti, who is coordinating the health side of the rescue effort.

"We can't find any masks in all of Campania," the region where mudslides on Tuesday swept away parts of several southern towns, the doctor said. A total of 66 of the dead were found in Sarno, the hardest-hit town in the valley running along the foot of Mount Vesuvius, halfway between Naples and Salerno.

In this small town 125 kilometers (75 miles) east of Naples, the top priority was clearing roads to reach outlying homes, said Gaetano Simonetti, a civil defense coordinator.

Lack of supplies hampered the efforts. "We don't have all the trucks we need," he said.

He said that eight bodies were found Friday and that "there is no way to tell how many people are still lost."

Near him, a mound of cars on a main road lay crushed on top of each other, swept away by a mud torrent Tuesday night. Some of the cars were buried and it was impossible to tell if people were inside.

In a sign of the fury and force of the mud onslaught, five homes in one part of town were swept away.

The civil defense agency has reported widely fluctuating numbers of missing. The latest count was 107, but officials in Sarno said the number was double that there alone.

Forty U.S. Navy engineers arrived in Sarno, the next town over, to build a tent city for Italian rescuers at an old factory site.

Days after torrential rains unleashed the massive landslides in a heavily populated area, rescue crews were finding mostly bodies, not survivors.

"There still might be a few lucky survivors, trapped in air bubbles in the mud, or within undamaged structures," said a civil defense official, Roberto Malisan, in Sarno. "But the more hours pass, the more hope fades."

Even as rescue crews looked for survivors, some people began returning home.

On the main street in Quindici, the mud flow was up to doorknob levels. Families tried to dig through to their front doors.

The mood was at times ugly, with residents complaining that rescue workers were not helping them get inside.

"Unfortunately, the residents are very agitated," Mr. Simonetti said. "Instead of helping us out, they are breathing down our necks, complaining we aren't helping them clean out their homes."



Mr. Annan, arms crossed, with his wife, Nane, at a graveyard Friday in Nyanza where some of the Tutsi killed in the 1994 genocide are buried.

## Annan Takes the Rap in Rwanda UN Chief Protects West for Its Inaction During Genocide

By James C. McKinley Jr.  
New York Times Service

KIGALI, Rwanda — The UN secretary-general walked into a political ambush at week's end, absorbing several highly personal attacks from Rwandan leaders who blame the United Nations for failing to intervene in the 1994 genocide here.

For most of his visit, the secretary-general, Kofi Annan of Ghana, defiantly defended his decisions in 1994, when he was head of peacekeeping operations, arguing that world leaders had failed to provide the UN with the troops and mandate needed to stop the killing.

"I have no regrets," he said. On Friday morning, as he visited a shed full of skulls belonging to victims of the genocide in Mwarure, 50 kilometers (30 miles) outside Kigali, Mr. Annan tried again to point out that the major powers had known about the genocide, but were not willing to intervene.

"The international community could not muster the resources or the will to come to Rwanda's aid," he told a group of survivors.

But even while he admitted that everyone had failed Rwanda, Mr. Annan resisted casting blame on specific members of the Security Council, which had the final say over sending more troops to save Tutsi victims.

In essence, Mr. Annan took a political beating here to protect Western leaders who, despite receiving early warnings of the impending slaughter, resisted get-

ting involved in the Rwandan massacres until it was far too late to help.

Put simply, Mr. Annan took the abuse to shield the United States. It was the Americans, still stinging from their failed peacekeeping operation in Somalia in 1993, who had resisted getting involved in the Rwandan killing in the spring of 1994 until it was far too late to save most of the genocide victims, aides to Mr. Annan said privately.

"The Americans said no," one aide said. "It was fresh after Somalia, and the Americans were not going to have it."

The contretemps between Mr. Annan and his Rwandan hosts also highlights another ugly political reality in Rwanda since a Tutsi rebel army ended the genocide and set up the present government. It is convenient for the current regime to blame the rest of the world for failing to save Rwanda from itself.

The government here has plenty of reasons for keeping the memory of the UN failure alive. To start with, despite some progress in bringing moderate Hutu into positions of power, Rwanda's government remains an undemocratic regime controlled by the Tutsi minority, many of whom are hungry for vengeance for the massacres.

That Tutsi rebels stopped the genocide while the world's great powers dithered on the Security Council gives the current government legitimacy and the moral authority to rule.

What is more, the United Nations' perceived failure in 1994 makes it hard for Western powers to criticize Kigali's human rights record, which is far from perfect. Rwandan troops not only are accused of massacring thousands of Hutu refugees in neighboring Congo during the civil war there last year, but also regularly conduct campaigns against Hutu guerrillas in which civilians are killed.

Finally, playing the victim of an international conspiracy of neglect is a platform for demanding more aid to rebuild Rwanda.

UN officials received information from the Canadian commander of peacekeeping forces in Kigali as early as January 1994 that a genocide was being planned by Hutu extremists.

On April 6 of that year, these militant Hutu seized control of the government, scuttled a UN-brokered peace accord with Tutsi rebels and started a campaign to exterminate all the Tutsi in government-controlled areas.

The next morning, the Hutu hard-liners captured, tortured, murdered and mutilated 10 Belgian peacekeepers. It was a clever tactic. Within two weeks, Belgium withdrew all its troops, leaving the commander of the peacekeeping operation, General Romeo Dallaire, with a small, ill-equipped force.

For several weeks, while the Security Council delayed making a decision, the UN soldiers did little more than guard a few havens where frightened Tutsi had gathered for protection. The slaughter continued across the country.

## Ruling Socialists Are Favored in Hungary Election

The Associated Press

BUDAPEST — Buffeted by economic hardships for years, Hungary has emerged as the star performer in Eastern Europe going into national elections Sunday.

Along with the recent U.S. endorsement of its entry into the North Atlantic Treaty Organization, the economic turnaround has put the governing Socialist Party in a strong, although not unassailable, position going into the vote.

As the 12 parties contending for seats in Parliament held final rallies Friday, the latest public opinion polls mostly showed the Socialists with a slight lead over the center-right opposition Young Democrats-Hungarian Civic Party.

Analysts expect the Socialists, a pro-reform successor party to the Soviet-era Communists who came to power in 1994, to retain the leadership once results are in, in a May 24 runoff.

Even opposition parties now concede that Hungary's economy is growing as a result of the austerity measures imposed by the governing party three years ago.

At stake Sunday, along with all 386 seats in Parliament, is the chance to form the next government.

The West has lauded the government's performance in Hungary, which has supplanted the Czech Republic as the economic leader in the former Soviet bloc. The economy grew 4.4 percent last year, and inflation has been falling.

## Amnesty Denied for ANC Chiefs

Reuters

CAPE TOWN — A blanket amnesty for the top leaders of the governing African National Congress, including Deputy President Thabo Mbeki, was overturned by the High Court on Friday.

"There is granted an order reviewing and setting aside the decisions made by the committee on amnesty," said Judge Johan Conradie in setting aside the amnesty for apartheid-era human rights abuses that had been granted to the 37 ANC leaders by the Truth and Reconciliation Commission.

The amnesty committee of the truth commission last November pardoned top ANC members, including Mr. Mbeki, President

Nelson Mandela's heir apparent, and five other cabinet members.

But the amnesties, granted for unspecified human-rights offenses committed during apartheid rule, provoked controversy because they were awarded in a block without public hearings and without revealing what crimes the 37 had committed.

The truth commission decided in January to ask the court to rule on the decision of its amnesty committee, but the opposition National Party lodged its own appeal.

The ANC, which originally said it would oppose overturning the blanket amnesty, last week withdrew its opposition, speeding up the court process.

The truth commission was set

up in 1995 to try to uncover the truth about apartheid-era atrocities, reconcile the country's divided races, grant amnesty to those who confess in full to political crimes and award damages to victims.

The legislation setting up the truth commission required that all amnesty applicants provide a full disclosure of their actions and their motivations.

It does not require any apology, and many of the former apartheid security force members have refused to apologize for their actions, although others have.

The ANC conducted a low-level armed struggle against the apartheid regime that included a series of bombings, some of which resulted in civilian deaths.

## Nigeria Arrests Main Opposition Leader

Reuters

LAGOS — Olisa Agbakoba, the leader of Nigeria's main opposition group, United Action for Democracy, was arrested Friday by state security police, colleagues in his law office said. He was arrested at Lagos airport on his way back from a trip abroad, they said.

United Action, a coalition of 25 pro-democracy groups, called May Day protests against the military ruler, General Sani Abacha. Seven people were shot and killed during one of the protests, in the southwestern city of Ibadan.

The military authorities had threatened to crack down on the ringleaders, and activists say that at least 20 people have been arrested since then.

The protests were called after five legally permitted political parties chose General Abacha as the sole candidate for the Aug. 1 presidential election.

Western countries have described General Abacha's plan for transition to democracy as a failure and have threatened to extend sanctions, which are now limited.

Nigeria freed 142 prisoners on orders of General Abacha, The Washington Post reported.

Those freed include four journalists but few other political prisoners, Nigerian newspapers said.

The freed journalists are Muhammad Amadu and Soji Omutunde of the newspaper African Concord; Babafemi Ojudu of The News; and Onome Osifo-Whiskey of Tel magazine.

Also freed was Ogaga Ifowodo of the Civil Liberties Organization, a human rights group.

## BRIEFLY

### Hague Free 14 Serbs, for Now

THE HAGUE — The United Nations war crimes tribunal said Friday it had dropped charges against 14 Bosnian Serbs connected to two notorious camps where thousands of Bosnian Muslims and Croats were interned during the Bosnian war.

The 14 men had been accused by the International Criminal Tribunal for the former Yugoslavia of committing war crimes at the Serb-run Omarska and Keraterm detention camps in the Prijedor region of northwestern Bosnia-Herzegovina.

The chief prosecutor, Louise Arbour, said she had asked for the withdrawal of the indictments because the tribunal did not have the resources to try all the men separately, as required. She reserved the right to indict them later.

### ETA Is Blamed in Shooting

VITORIA, Spain — A retired Civil Guard officer was seriously wounded by a gunman Friday in an attack attributed to the Basque separatist group ETA.

Alfonso Parada Ulloa, 61, was shot in the head as he was leaving his home in the Basque capital, Vitoria, a regional government spokesman said. Doctors said he was in extremely critical condition.

### German Coalition Talks Fail

MAGDEBURG, Germany — Talks between the Social Democrats and Christian Democrats aimed at forming a coalition government in the eastern state of Saxony-Anhalt collapsed Friday.

The state premier, Reinhard Hoppe, a Social Democrat, said the two parties could not agree on how to deal with the anti-immigrant German People's Union, which won 13 percent of the vote in Saxony-Anhalt in elections in April.

A coalition of the two parties in Saxony-Anhalt had been expected to help the Social Democratic candidate for chancellor, Gerhard Schröder, in the race against Helmut Kohl in September.

## TRAVEL UPDATE

### Jamaica Targets Tourists' Harassers

KINGSTON, Jamaica (Reuters) — Jamaica will take a tougher line against local people who pester tourists to buy goods, drugs and sex in resort towns, and is increasing fines for such offenses 100-fold, officials say.

Nearly two million visitors vacationed in Jamaica last year. 1.2 million of them stopover tourists and the rest passengers on cruise ships. According to a survey by the tourist board last year, 56 percent of visitors felt they had been harassed at some point during their stay in Jamaica. Nearly 13 percent said their vacations were spoiled by the harassment.

### Open House at Hong Kong Airport

HONG KONG (Reuters) — Hong Kong is throwing an open house this weekend for the public to tour its new \$20 billion international airport, which will handle its first commercial flights in July.

More than 90,000 people have paid 60 Hong Kong dollars (\$7.75) to take up the offer to visit the sprawling airport complex on reclaimed land off Lantau Island during six planned visiting days, beginning Sunday.

The airport at Salomonika, Greece, closed Friday for four days of runway repairs. Flights were rerouted to Kavala, about 130 kilometers (80 miles) to the east. Meanwhile, planned work stoppages at the Athens airport are expected to cause delays from Tuesday to Friday.

British Airways PLC has delayed the start of its nonstop London-Denver flights from June 1 until Aug. 1 while waiting for approval from the U.S. Department of Transportation, the Denver Post reported.

Japan Airlines Co. Ltd. said Friday it planned to reduce fares by up to 50 percent on round-trip flights from cities in the United States to those in Japan from May 22 to July 25. A JAL spokesman said the carrier filed an application Thursday with the Transport Ministry for the fare cuts. For the discounts, tickets need to be issued by May 22.

## WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.

Legend: S=sunny, partly cloudy, C=cloudy, sh=showers, H=high, L=low, W=wind, M=moderate, V=very, N=night, F=fog, R=rain, S=snow, T=tornado, H=heavy, M=moderate, L=light, V=very, N=night, F=fog, R=rain, S=snow, T=tornado.

Maps, forecasts and data provided by AccuWeather, Inc. ©1998 - http://www.accuweather.com

Europe

Country	High	Low	High	Low	High	Low
Albania	22/11	13/6	19/10	8/4	22/11	13/6
Austria	22/11	13/6	19/10	8/4	22/11	13/6
Belgium	22/11	13/6	19/10	8/4	22/11	13/6
Bulgaria	22/11	13/6	19/10	8/4	22/11	13/6
Croatia	22/11	13/6	19/10	8/4	22/11	13/6
Czech Rep.	22/11	13/6	19/10	8/4	22/11	13/6
Denmark	22/11	13/6	19/10	8/4	22/11	13/6
France	22/11	13/6	19/10	8/4	22/11	13/6
Germany	22/11	13/6	19/10	8/4	22/11	13/6
Greece	22/11	13/6	19/10	8/4	22/11	13/6
Hungary	22/11	13/6	19/10	8/4	22/11	13/6
Ireland	22/11	13/6	19/10	8/4	22/11	13/6
Italy	22/11	13/6	19/10	8/4	22/11	13/6
Japan	22/11	13/6	19/10	8/4	22/11	13/6
Korea	22/11	13/6	19/10	8/4	22/11	13/6
Latvia	22/11	13/6	19/10	8/4	22/11	13/6
Lithuania	22/11	13/6	19/10	8/4	22/11	13/6
Netherlands	22/11	13/6	19/10	8/4	22/11	13/6
Norway	22/11	13/6	19/10	8/4	22/11	13/6
Poland	22/11	13/6	19/10	8/4	22/11	13/6
Portugal	22/11	13/6	19/10	8/4	22/11	13/6
Romania	22/11	13/6	19/10	8/4	22/11	13/6
Russia	22/11	13/6	19/10	8/4	22/11	13/6
Slovakia	22/11	13/6	19/10	8/4	22/11	13/6
Slovenia	22/11	13/6	19/10	8/4	22/11	13/6
Spain	22/11	13/6	19/10	8/4	22/11	13/6
Sweden	22/11	13/6	19/10	8/4	22/11	13/6
Switzerland	22/11	13/6	19/10	8/4	22/11	13/6
Turkey	22/11	13/6	19/10	8/4	22/11	13/6
Ukraine	22/11	13/6	19/10	8/4	22/11	13/6
United Kingdom	22/11	13/6	19/10	8/4	22/11	13/6
USA	22/11	13/6	19/10	8/4	22/11	13/6

## Middle East

Country	High	Low	High	Low	High	Low
Algeria	22/11	13/6	19/10	8/4	22/11	13/6
Armenia	22/11	13/6	19/10	8/4	22/11	13/6
Azerbaijan	22/11	13/6	19/10	8/4	22/11	13/6
Bahrain	22/11	13/6	19/10	8/4	22/11	13/6
Bangladesh	22/11	13/6	19/10	8/4	22/11	13/6
Bhutan	22/11	13/6	19/10	8/4	22/11	13/6
Burma	22/11	13/6	19/10	8/4	22/11	13/6
Cambodia	22/11	13/6	19/10	8/4	22/11	13/6
China	22/11	13/6	19/10	8/4	22/11	13/6
Cyprus	22/11	13/6	19/10	8/4	22/11	13/6
India	22/11	13/6	19/10	8/4	22/11	13/6
Indonesia	22/11	13/6	19/10	8/4	22/11	13/6
Iran	22/11	13/6	19/10	8/4	22/11	13/6
Israel	22/11	13/6	19/10	8/4	22/11	13/6
Italy	22/11	13/6	19/10	8/4	22/11	13/6
Japan	22/11	13/6	19/10	8/4	22/11	13/6
Korea	22/11	13/6	19/10	8/4	22/11	13/6
Latvia	22/11	13/6	19/10	8/4	22/11	13/6
Lithuania	22/11	13/6	19/10	8/4	22/11	13/6
Netherlands	22/11	13/6	19/10	8/4	22/11	13/6
Norway	22/11	13/6	19/10	8/4	22/11	13/6
Poland	22/11	13/6	19/10	8/4	22/11	13/6
Portugal	22/11	13/6	19/10	8/4	22/11	13/6
Romania	22/11	13/6	19/10	8/4	22/11	13/6
Russia	22/11	13/6	19/10	8/4	22/11	13/6
Slovakia	22/11	13/6	19/10	8/4	22/11	13/6
Slovenia	22/11	13/6	19/10	8/4	22/11	13/6
Spain	22/11	13/6	19/10	8/4	22/11	13/6
Sweden	22/11	13/6	19/10	8/4	22/11	13/6
Switzerland	22/11	13/6	19/10	8/4	22/11	13/6
Turkey	22/11	13/6	19/10	8/4	22/11	13/6
Ukraine	22/11	13/6	19/10	8/4	22/11	13/6
United Kingdom	22/11	13/6	19/10	8/4	22/11	13/6
USA	22/11	13/6	19/10	8/4	22/11	13/6

## Africa

Algeria	29/24	17/22 s	29/24	16/6
Capri Town	16/61	3/48 i	13/55	5/4
Castablanca	24/75	14/5 pc	21/71	11/5
Maraca	32/89	13/5 s	33/91	14/5
Lagos	31/89	24/75 i	31/88	24/71
Nairobi	25/71	16/61 sh	27/80	16/6

in Rwanda  
During Genocide

## Minnesota and Big Tobacco: \$6 Billion Deal

**The Associated Press**  
ST. PAUL, Minnesota — Minnesota reached a tentative \$6 billion settlement on Friday of its lawsuit against tobacco companies just as jurors were scheduled to hear more closing arguments in the three-and-a-half-month trial.

John Coale, a Washington lawyer who helped negotiate a national tobacco settlement last summer, said details of the agreement would be announced later.

Television and radio reports in Washington also reported a tentative settlement, saying the money would be paid over 25 years. In St. Paul, neither tobacco companies nor plaintiffs would confirm a settlement.

Closing arguments were delayed without explanation Friday morning.

The plaintiff's lead attorney, Michael Ciresi, had been scheduled to give his summation, but Judge Kenneth Fitzpatrick of Ramsey County District Court opened the day's session by announcing an immediate recess.

KARE-TV in Minneapolis said the state would get \$5 billion, with an additional \$400 million going to co-plaintiff, Blue Cross and Blue Shield of Minnesota, and \$600 million being paid directly to the plaintiff attorneys.

In talks this week, the two sides had been reported to be negotiating a settlement of more than \$5 billion. The Saint Paul Pioneer Press reported Friday that at least one of the tobacco firms wanted "very badly" to settle the case and might break ranks with its peers.

Minnesota would have received about \$4 billion under a proposed

\$368.5 billion national settlement reached last summer that later fell apart. The state becomes the fourth to settle a tobacco lawsuit.

Three states settled before testimony began in their cases: Mississippi for \$3.36 billion, Florida for \$1.1 billion and Texas for \$15.3 billion. Besides Minnesota, 37 other states have lawsuits pending.

In closing arguments Thursday, a defense attorney asked the jury not to make a scapegoat out of the tobacco industry for the smoking habits of children. Robert Weber urged jurors to think critically as they weighed the state's and Blue Cross's \$1.77 billion damage claim against the 10 defendants.

"It's easier to talk about children than to say you want a bunch of

money," said Mr. Weber, who represents R.J. Reynolds Tobacco Co. "Don't let emotion get in the way of facts."

Summing up the industry's case, Mr. Weber said the plaintiffs failed to prove any wrongdoing by the defendants that caused the state or Blue Cross to incur additional health care costs.

Mr. Weber reminded the jurors that defense witnesses included the marketing executives behind R.J. Reynolds's Joe Camel ad campaign and the "Marlboro Country" campaign of Philip Morris Inc., who both testified that they never aimed their marketing efforts at children.

There are many reasons why adolescents smoke, but advertising is not one of them, Mr. Weber said.

## EU Seeks U.S. Help Against Cigarette Traffic

### Prosecutors Say American Companies Refuse to Release Data on Customers

**By Raymond Bonner**  
*New York Times Service*

VIENNA — European governments, increasingly frustrated by the rising volume of American cigarettes smuggled into Europe, have decided to turn to Washington for help in investigating the suspected involvement of American tobacco companies, starting with R.J. Reynolds Tobacco Co., according to a senior European Union official.

It will be the first time for the EU to formally request help from the U.S. government in combating the illicit cigarette trade, and arises out of a conviction that the American companies are in complicity, European officials said. Prosecutors in Europe say that American tobacco companies have consistently

resisted their efforts to obtain the names of international customers in cases under investigation. Now they are asking the U.S. government for assistance.

Authorities say they believe that the manufacturers routinely sell American cigarettes to traders and dealers who immediately resell them into black markets set up to evade foreign taxes and offer leading brands at a discount.

"We are always puzzled how the cigarette manufacturers are paid and the only way we can obtain this information is from them," Per Brix Knudsen, director of the EU's anti-fraud unit, which is based in Brussels, said Thursday. "As Reynolds has previously refused any cooperation whatsoever, we intend to take up this issue with the U.S. authorities."

A spokesman for R.J. Reynolds International in Geneva, Axel Gietz, said that the company did not generally identify its customers but added that it had "always cooperated with authorities."

In an interview Thursday, Mr. Gietz also said that the company was continuing to sell to a trader who told The New York Times last year that he was smuggling cigarettes.

Cigarette smuggling cost European governments \$1.5 billion in lost taxes last year, according to a report by the EU's anti-fraud unit released on Wednesday. Adding to the concern among European governments, the report says that organized-crime syndicates are running the smuggling operations.

Around the world, the largest tobacco companies are selling billions of dollars of

cigarettes each year into contraband pipelines, say law-enforcement officials. In the last decade, the volume of smuggling has nearly tripled, reflecting a general surge in cigarette smoking abroad, especially of American brands. Experts have estimated that about one-fourth of the cigarettes sold overseas now pass through smuggling rings.

In Washington, a spokeswoman for the Treasury Department said the government had "responded to similar requests from countries in the past" and that in this case, "we anticipate trying to be as helpful as possible."

The federal Bureau of Alcohol, Tobacco and Firearms is part of the Treasury Department. Two recent seizures of smuggled American cigarettes highlight the problem in Europe. In one case, more than 80 million cigarettes, primarily Winston's, worth more than \$3 million, were loaded by Reynolds, the second-largest tobacco company in the United States, onto ships in Charleston, South Carolina and Savannah, Georgia, and sent to Greece.

There they were immediately loaded onto a single ship belonging to a smuggling operation that took the contraband to Barcelona. Spanish customs authorities intercepted the haul last January.

Reynolds had decided to keep Mr. Haenggi as a customer even after he told The New York Times last summer that he sold to clients he knew to be smugglers.

The seizure in Barcelona now occupies investigators at the EU's anti-fraud unit, as well as in Spain and Greece. "The key to this case lies with the American authorities," a Greek official said. "They have to find out who paid Reynolds."

Investigators are convinced that Reynolds knew the cigarettes were destined for the black markets in Spain. "We intend to prove that," said Carlos Ramos Rubio, chief of the anti-corruption office in Barcelona, and the prosecutor in the case. He knows it will not be easy.

"Reynolds is very powerful," he said. "It's not easy to take them on. Reynolds will say they sold the tobacco legitimately, and it is not their responsibility to follow what happened to it."

## Reports Tap Richardson For Chief Post at Energy

WASHINGTON — Although the move is not final, President Bill Clinton's next energy secretary is likely to be Bill Richardson, America's chief delegate to the United Nations, officials said.

Word spread through Washington that Mr. Richardson was poised to resign to move to the Energy Department. But Barry Toiv, a White House deputy press secretary, said Thursday that the reports were "at least premature and could turn out to be wrong," adding: "This decision has not been made yet."

Mr. Richardson, in Washington to make a speech, called the reports "just press speculation on a premature report."

Asked if he had ruled out taking the cabinet job, he smiled and said, "We all serve at the pleasure of the president."

not guilty Friday to conspiring to evade taxes on hundreds of thousands of dollars in income.

John Nields, Mr. Hubbell's lawyer, said he would challenge the 10-count indictment on the ground that it is "not within the scope" of the inquiry being conducted by the independent counsel, Kenneth Starr.

"Not guilty, your honor," Mr. Hubbell, a former associate attorney general in the Clinton administration, said of the charges as he stood before Judge James Robertson in U.S. District Court.

Three others charged with Mr. Hubbell — Suzy, his wife; Charles Owen, a tax lawyer, and Mike Schaufele, an accountant — also entered the same plea.

Mr. Nields's objection to the indictment is based on the fact that the indictment obtained by Mr. Starr is beyond the original mandate of the investigation, Mr. Starr is investigating the Clintons' ties to the owners of a failing Arkansas savings and loan and Mr. Hubbell was to have been a key witness in providing evidence about the president and first lady. The independent counsel has been investigating whether the payments to Mr. Hubbell were intended to encourage his silence in the Whitewater probe.

Mr. Hubbell, who then was first coming under criminal investigation, "performed little or no work" for the consulting fees he received in 1994, the prosecutors alleged in the indictment. (AP)

## Quote/Unquote

Representative Sherwood Boehlert, Republican of New York, resisting further budget cuts by party leaders: "It's just a nonstarter. My constituents sent me here for a smaller, less costly government. They didn't send me here to dismantle the government." (AP)

## Hubbell Enters Plea

WASHINGTON — Webster Hubbell, a close friend of Bill Clinton and a key figure in the Whitewater investigation, pleaded

## Away From Politics

• A sophisticated criminal network operating out of the United States has defrauded up to 400 people in at least 10 countries through a scam that collected more than \$60 million in processing fees for nonexistent venture capital loans, federal officials said. (NYT)

• A man who raped and killed a friend's fiancée and then took her engagement ring was executed in the electric chair in Alabama. Steven Allen Thompson, 34, waived any last-minute appeal, saying he wanted to spare further pain to his family and his victim's family. (AP)

• Tornadoes raced through four Southern

states, killing two people and injuring at least 20. Some of the worst damage occurred along the Georgia-South Carolina state line as storms swept eastward, damaging hundreds of buildings and knocking out power to the mostly rural region. (AP)

• A 6-month-old boy was in critical condition in Arlington, Texas, after being bitten nearly 100 times by his family's five-pound pet white rat. The 21-year-old mother of Lamonte Coruthers told the police that the baby had been asleep in a bedroom for 10 to 15 minutes when she went to check on him and found him covered with blood. The mother said she had had the stereo on and had not heard any cries from him. (AP)

## Million-Dollar Temptation

### Science Reporters Get Huge Offers for Cancer Books

**By Felicity Barringer**  
*New York Times Service*

NEW YORK — A day after an article describing the medical world's optimism about a new drug therapy for cancer was published in The New York Times, agents for two reporters circulated book proposals among New York publishers.

On Tuesday, one of these reporters — Gina Kolata, who wrote the article that The Times featured on Sunday — instructed her agent to withdraw her proposal.

By Wednesday, Robert Cooke, a Newsday science reporter, had accepted an offer from Random House to write a book on the same topic that a publishing industry source said would bring him \$1 million.

These events crystallized recent concerns about journalists writing books about what they cover because a financial stake in a story could cast doubt on coverage.

Ms. Kolata said Thursday that the day her article appeared, she received a call from John Brockman, the literary agent, who specializes in science and technology. "He said, 'Just write me an e-mail. Two pages, and I can get you \$2 million,'" she said.

"So I said, 'All right. I'll write you an e-mail.' And I did," Ms. Kolata said. "It was like a trial balloon to me. I didn't actually believe it." She pulled the proposal Tuesday after consulting with her editors, she said. "I think we're talking about credibility," she said. "Once people think I'm not going to be a credible reporter, I'm not going to do a book."

Asked about the potential for conflict, Joseph Lelyveld, the executive editor of The Times, said: "We don't want reporters trading on stories they are currently covering. There is the danger of a conflict of interest, and there is an appearance of a conflict of interest."

Reporters had covered Dr. Judah Folkman, who is leading the cancer drug research, long before Sunday's article was published. Mr. Cooke's agent, Faith Hamlin, said he had prepared a proposal for a book several weeks ago on new therapies that suppress the formation of blood vessels to tumors.

Howard Schneider, a Newsday managing editor, said, "There will be no conflict. If there is a conflict in our mind, either he will do the book or he will stay on the story, but not both."

## 152 Older Boeing 737s to Be Inspected for Fuel-Tank Wiring Damage

**By Don Phillips**  
*Washington Post Service*

WASHINGTON — Federal regulators have ordered airlines to remove 152 older Boeing 737s from service in the next week for inspections, acting with unusual speed after the discovery of a damaged wiring system in one jet raised concerns of a fuel tank explosion.

The unusually tight schedule for inspecting and overhauling the fuel tank wiring could cause some flight disruptions, Federal Aviation Administration officials said.

But it was unclear where any disruptions would occur, and several airlines affected by the emergency order said they could accommodate the fixes under the seven-day time frame.

The action Thursday was not a formal grounding of the jets. Like the DC-10 grounding in 1979, and has thus far affected only a small portion of 2,900 737s in service worldwide. The 737 is the most popular passenger jet in the world.

The FAA also recently ordered inspections, though less rigorous, of several hundred 747 and 767 jets.

Officials said the discovery was serious. Rich Bruhnhaus, Boeing's chief engineer for fuel system safety, said that if the same problem occurred on other 737s, there would be "a potential for fire or explosion if conditions are right."

Officials said that they were confident that the possible risk to passengers in the next week was small, but that they would like further action if the inspections turned up new problems.

The agency's action comes several days after Continental Airlines mechanics, looking for a fuel leak on a 737, discovered pinholes in a metal pipe covering high-voltage electrical wires going to a fuel pump.

The pipe is supposed to prevent the wires from coming into contact with fuel or fuel vapors, Boeing engineers said.

These holes appeared to be the result of electrical arcing, or sparks, providing the first direct evidence that this could happen in pipes leading to fuel tanks.

Investigators have been examining why the center fuel tank exploded on Trans World Airlines Flight 800 in 1996, killing all 230 on board, but thus far have not settled on a cause.

Thursday's orders are the latest in a series of

actions that stem from the TWA inquiry. But both the FAA and Boeing discouraged speculation that a similar problem could have led to the TWA 800 explosion.

High-voltage wires run only to wing fuel tanks, not the center fuel tank that exploded on Flight 800.

The aviation agency theorized earlier, however, that a fire in a wing tank could travel via wing vent tubes out to wing tips, then back to the center tank.

The order requires a detailed inspection of the wiring and replacement of any damaged components. An extra teflon sleeve must be wrapped around all high-voltage wiring, which already has one layer of teflon insulation.

The aviation agency also ordered that all 737s

be required to add new insulation to high-voltage fuel-tank wiring, but on a more relaxed schedule because problems now cropping up appear to be related to age as measured in flight time.

In addition, the agency ordered less onerous inspections of fuel tank wiring in 264 Boeing 747s and 231 Boeing 767s to be certain that insulation was properly installed.

Those inspections were ordered because earlier inspections found one 767 conduit had no teflon insulation at all. The agency said it was unable to determine whether the omission was a maintenance problem or a manufacturing problem.

New-generation 737s, just now being built, are unaffected because they do not have high-voltage wires inside their fuel tanks.

## Sybil Connolly, Fashion Designer, Dies

**New York Times Service**

NEW YORK — Sybil Connolly, who designed the linen dress that Jacqueline Kennedy wore in her White House portrait and elevated Irish design to high fashion, died Wednesday of a heart attack in Dublin. She was 77.

Miss Connolly, whose popularity spanned almost a half century, brought her collection to New York in 1953. She introduced gossamer hand-pleated handkerchief linen, spidery Carrickmacross lace and a sophisticated palette of hand-woven Irish Donegal tweeds. She was an early exponent of soft and casual clothing when Parisian designers were featuring rigid construction.

Miss Connolly was an active designer until her death. For many years, most of her designs were sold in the United States to scores of socialites, many at private showings. She also received commissions at her 270-year-old mansion on Merrion Square in Dublin.

**J. Gordon Lippincott, 89, Logo and Product Designer**  
*New York Times Service*

J. Gordon Lippincott, 89, an engineer and logo specialist who helped design the Campbell soup label, the Tucker

Torpedo automobile and the inside of the Nautilus nuclear submarine, died April 29 in North Haven, Connecticut.

When Joshua Gordon Lippincott, an engineer by training, joined forces in 1943 with Walter Margulies, an architect, the two men were hoping to make their mark through product design. They succeeded quite quickly. They designed hotel restaurants, changed the silhouettes of typewriters and selected colors for dishes. Three years after they started their company in New York, they received the Campbell packaging assignment.

Mr. Lippincott remained intrigued by design challenges. These included a task presented to him in 1947, when Presto-Tucker asked for help styling the Tucker Torpedo, an automobile with a radical design. What emerged was a sleek vehicle Mr. Lippincott referred to as the "Tin Goose." The ultimate failure of Mr. Tucker's dream car, which was the subject of a 1988 movie, came about when Mr. Tucker could not fulfill orders.

**Alan Simpson, 85, Ex-President Of Vassar in 1960s and '70s**  
*New York Times Service*

NEW YORK — Alan Simpson, 85, the

president of Vassar College in the turbulent 1960s and '70s whose easygoing charm, wit and scholarship helped him weather not only a time of student protest but also the admission of men to the formerly all-women school, died Tuesday of pneumonia in Lake Forest, Illinois.

Like many college presidents of the era, the Oxford-educated Mr. Simpson became embroiled in student disputes over the Vietnam War, race, sex and coeducation. In 1969, he helped peacefully conclude a sit-in by a group of 35 students who were demanding an expansion of black studies programs.

In the mid-1970s, he defused a demonstration after the removal of the student editor of the college yearbook for attempting to publish photographs of nudes and, far more offensive in Mr. Simpson's view, for going over budget.

His toughest challenge was handling the transition from an all-female student body to full coeducation in 1969. He served as president of Vassar until 1977.

**Charles P. Arnot, 81, a former ABC foreign correspondent who covered the world's turmoil from World War II to Vietnam, died April 24 in Prescott, Arizona.**

## Mexico to Curb Rights Bloc

### Italian Delegation Went to Embattled Chiapas

**By Julia Preston**  
*New York Times Service*

TANIPERLA, Mexico — The government has announced that it will expel most members of an Italian human-rights delegation from the southern state of Chiapas after they disobeyed immigration authorities and caused a melee in an Indian village.

The defiance Thursday of the 134 Italians widened the confrontation between Mexico and international nongovernmental groups over the work of human-rights observers in this country.

However, the Italians appear to have given the government several substantial reasons to say that they overstepped their bounds.

"We don't want revolutionary tourists in Mexico," said a deputy interior minister, Fernando Solis Camara. "We don't want any experiments with human-rights observation."

The Italians clashed with the immigration authorities in their drive to get to Taniperla, a Tzeltal Indian village, which troops occupied in April to help local supporters of the government in their fight with

Zapatista rebels. The Italian delegation includes four members of Parliament from left-of-center parties, representatives of several large city councils and a Roman Catholic priest. But most of its members are students and other young people who support the Zapatistas' cause and have no special expertise in human rights.

On Wednesday, the delegation announced that it would make the grueling road trip to Taniperla in a convoy of buses even though the government did not explicitly authorize travel there. In a practice that many rights groups question, the government has been placing restrictions on the places that observers can visit in Chiapas.

At midday on Wednesday, the convoy was stopped at an immigration checkpoint. Officials said that because of security risks only 10 members of the delegation would be allowed to go farther.

"We decided that we are all willing to face the security risk," said Federico Mariotti, a spokesman for the delegation. "If the government says it cannot protect our safety in that village, something terrible must be happening there. We must find out."

**Grand Hotel**  
**Villa Castagnola**  
*Engadina, Switzerland*

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## Conservatives Make Some Gains in Local Council Elections

The referendum was one of many local ballots held on Thursday, most for members of city or county councils, and political analysts struggled, inconclusively, to draw national political lessons from a patchwork of results that seemed to have no particular pattern.

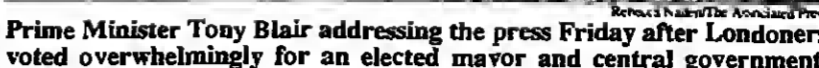
Only one in four voters bothered to turn out Thursday for what was Labour's first big electoral test since the general election a year ago, and there were almost equal triumphs and setbacks for the three main political parties, Agence France-Presse reported.

Results from 166 council elections showed Labour polling 38 percent, Conservatives 32 percent and the Liberal Democrats 25 percent.

They also showed that the Conservatives have begun to recover some of

But he admitted that there "is a lesson to be learned" for Labour.

Voters had sent a message that where "good, dynamic, New Labour councils" were delivering good services, people would turn out to support them.



Labour's share of the overall vote in Thursday's polls was 6 percent less than its Conservative score at the May 1997 general election. But a recent Mori opinion poll showed that 55 percent of electors still preferred Labour to govern.

Conservatives welcomed the party's measure of recovery from the "bridge over the rainbow" disaster in the Welsh and the Bradford Central constituencies of southern England. The Conservative Party chairman, Lord Parkinson, said: "We are starting to win again. We have started the recovery."

But, with national support of only 33 percent, the Tories were marginally below their 1997 general election score of 33 percent, while ahead of their disastrous

heartland of southern England. The Conservative Party chairman, Lord Parkinson, said: "We are starting to win again. We have started the recovery."

But with national support of only 33 percent, the Tories were marginally below their 1997 general election score of 33 percent, while ahead of their disastrous performance in the 1994 local elections.

## Israel Policy Not Costing Him U.S. Support

"I don't think it's a crisis," said Abraham Foxman, national director of the Anti-Defamation League. He said the administration's tactics were "more a

Mr. Ganchrow said that Mr. Clinton's position amounts to, "Here's my address in Washington. You sign, you can come." It's a violation of our agreements with Israel, both in spirit and in fact," he continued, citing a stipulation by Warren Christopher, a former Clinton secretary of state, that Israel would be the sole arbiter of the scope and timing of its troop redeployments.



**Ukraine Marks the 53d**



## Ukraine Marks the 53d Anniversary of Victory Day

Agence France-Presse  
JERUSALEM

Jerusalem — An Israeli woman says she has papers proving that she is the rightful heir to part of the land on which the Nazis built the Auschwitz death camp.

The woman, Zippora Franck, 63, who lives at Hedera, north of Tel Aviv, said in an interview published by Ha'aretz that she had recently traveled to Poland to clarify "this cursed inheritance."

"My parents preferred to keep this dreadful secret to themselves," she said. Her mother told her a few years ago, she added.

She said she had verified it by consulting old Polish legal documents. The contents of the documents were backed up by aerial photographs taken by Allied troops.

Her grandfather owned a tar paper factory on the site. His land was confiscated by the Nazis after Poland was invaded in September 1939.

position amounts to, "Here's my address in Washington. You sign, you can come." It's a violation of our agreements with Israel, both in spirit and in fact," he continued, citing a stipulation by Warren Christopher, a former Clinton secretary of state, that Israel would be the sole arbiter of the scope and timing of its troop redeployments.

But others said that the pressure from Mr. Clinton was needed to break an impasse in the peace negotiations that did not serve Israel's long-term interests. In part, their continued support for the administration reflects divided views among U.S. Jews of the Netanyahu government and its policies toward the Palestinians.

"This administration has been the best friend Israel has had in many, many decades," said Stan Chesley, a prominent Cincinnati lawyer and Democratic fund-raiser. "Nothing has been

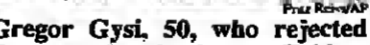
## Continued from Page 1

and not a change in American policy. "Now we are perfectly willing to accept the explanation that this was only her opinion, but obviously the region and the world will not accept it as

The Palestinians have accepted the proposed 13.1 percent, but have been adamant that it not be reduced.

*The Associated Press*

The German Parliament's immunity committee voted, 15 to 2, to pass a damning report that prompted calls from Chancellor Helmut Kohl's party and the opposition Social Democrats that Mr. Gysi give up his legislator's seat.



The report could also touch off efforts in Parliament to lift Mr. Gysi's immunity from prosecution if prosecutors decide there is enough evidence to open a criminal investigation.

## Continued from Page 1

The new right-of-center government is unsympathetic. The state minister of family affairs, Kazimierz Kapera, says scarce money for family services should be spent on keeping families together rather than helping battered women. He

She does everything she can, she said, to minimize contact with him in the 18-square-meter (200-square-foot) apartment.

## Continued from Page 1

Others suggested that change could touch Japan. "Acquisition sounds cheaper, but actually it may not be cheaper than building from scratch," he added.

That explains why a colleague of Mr. Goto's, a 51-year-old former chassis team leader in the Nissan factory, looked so glum when the topic of the merger came up. "I am worried that some changes, like tie-ups with foreign companies, will happen that will change my life at work or change the welfare system of the company," he said. "Maybe a foreigner will get a seat on the board of directors, or even become president!"

## Reprints

Citizens of East European countries, including the former Yugoslavia, and of countries of Africa south of the Sahara, will no longer have to register, officials said.

couraged by subsidized vodka prices under communism, has compounded the violence, particularly in the countryside.

But the furor generated by the hearings was not the only factor driving the legislation. More than a year ago, it became clear that the IRS had been unable to modernize its computer

The Women's Rights Center, staffed by four lawyers and a part-time psychologist, advises women on their legal rights and offers counseling. While there are no shelters in Warsaw for battered women, a shelter has been established in Krakow. But it has such strict rules about when women can come to stay — they cannot arrive at short notice —

unable to modernize its computer systems despite the expenditure of more than \$4 billion. Moreover, some conservatives on Capitol Hill have been seeking to throw out the current tax system entirely and replace it with some form of consumption tax, such as a national sales tax or value-added tax, or with a one-rate "flat" income tax.

## ART

## Naples Revisits Bourbon Art

Exhibition Focuses on Little-Known 19th-Century Culture

By Roderick Conway Morris  
International Herald Tribune

**N**APLES — The Bourbon dynasty's rule in Naples was memorably described by a contemporary Italian journalist as "the negation of God erected into a system of government." The phrase was taken up by the English politician William Gladstone, who in 1851 witnessed show trials of the regime's opponents — a depressingly regular occurrence during the years of Bourbon absolutism, which invariably ended in multiple executions, imprisonments and further repression.

After the Bourbons gained control of Naples in 1734, their principal artistic legacy to the city lay in transferring from Parma the magnificent Farnese collection of classical and Renaissance sculpture and paintings, which they had inherited by marriage and played no role in building up. In addition, after 1748 their excavations of Pompeii and other sites brought to light an unimaginable trove of ancient finds.

The development of the arts in Bourbon Naples has received little attention even in Naples itself, so a large-scale survey, "Culture in the 19th Century: From the Bourbons to the House of Savoy," is welcome.

The main show is located at the impressively restored Capodimonte Museum, where the Farnese paintings are also housed, set in a palm-dotted park on a steep hill overlooking the Bay of Naples. Additional smaller exhibitions on architecture, town planning, music, illustrated books and so on are held at various venues around town until May 31. If the momentum for revitalizing the

city's museum scene can be maintained, many of the key pieces here should be permanently on display in future.

In general, the Bourbons' taste followed the fashions of French and European courts, though some Bourbon 18th-century palaces, landscaped gardens and parks, notably Capodimonte and Caserta, are fine examples of their kind.

The interlude of Bonapartist rule, from 1806 to 1815, during which the Bourbons fled to Sicily, was extraordinarily influential in the decorative arts, considering its brief duration.

Napoleon first installed his brother Joseph as King of Naples and, two years later, his brother-in-law Joachim Murat. Murat and his wife Caroline took a strong personal interest in the visual arts and initiated an extensive program to transform the interiors of the royal palaces. Murat also increased the funding of art schools and promoted exhibitions.

The Empire style was at the height of its popularity and it was given a special spin here, with Pompeii close by. Among the most striking exhibits at Capodimonte are furnishings incorporating genuine ancient bronzes and marble, including a huge round table with a Roman mosaic top and modern marble supports, and a side table resting on a bronze tripod from Herculaneum. Many new pieces were made imitating antique originals. Interestingly enough, when the Bourbons made their comeback after Waterloo, they tended to leave these Bonapartist interiors and furnishings as they found them.

Naples had a considerable community of local and foreign artists earning a living by selling views of the Bay of Naples, Vesuvius, Pompeii and char-

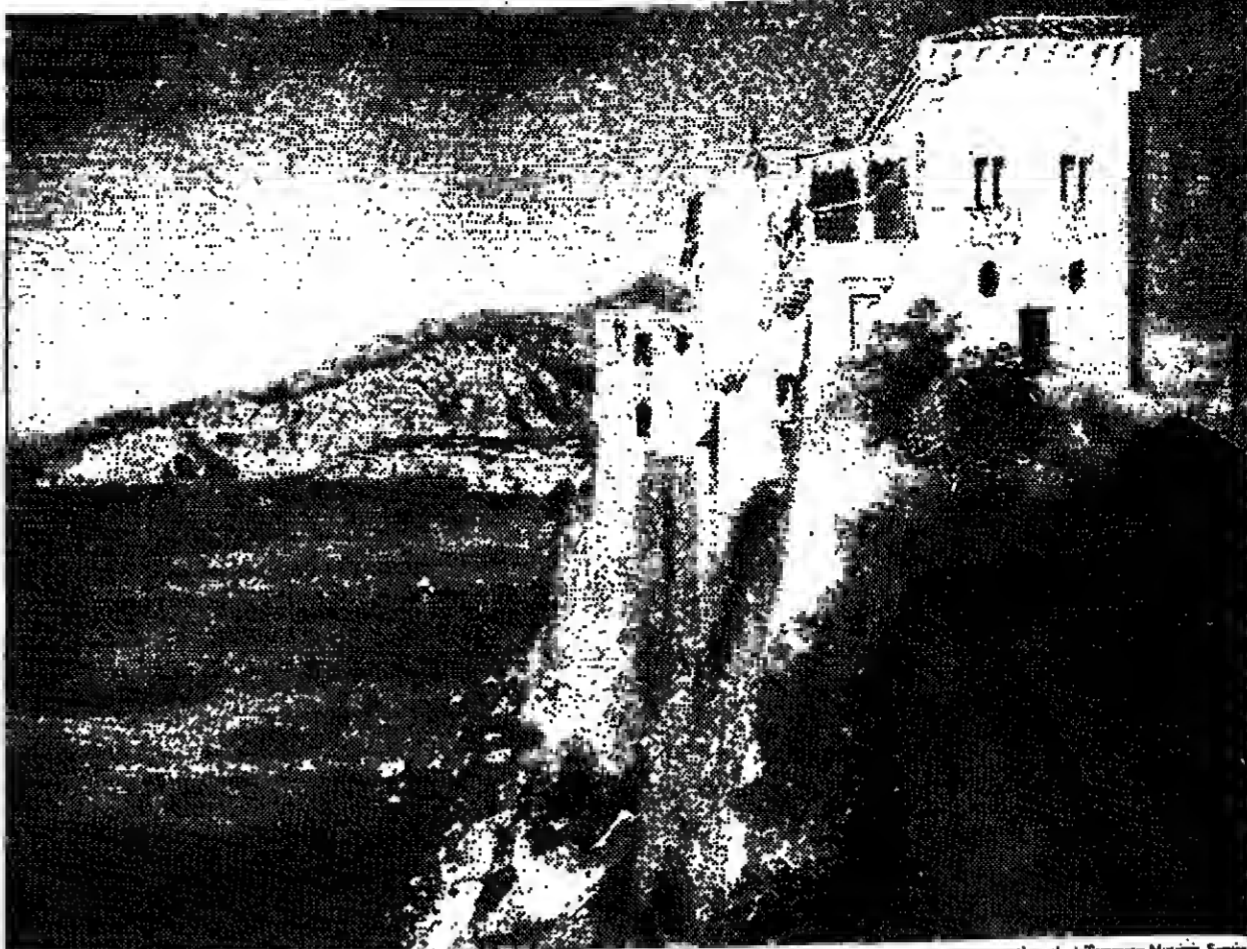
acteristic local sights. Out of this cottage industry emerged the School of Posillipo, whose leading exponents, operating outside the conservative constraints of the Academy, left some pictures that are both truly Neapolitan and rank among the best landscape painting of the last century.

Like the term Fauve, the expression Posillipo — from the name of the promontory to the west of the city that offers spectacular views of the bay, Vesuvius and the islands of Ischia and Capri — was originally dismissive, apparently used by loftier members of the Academy to denigrate the efforts of what they considered a ragbag of street artists serving the needs of passing tourists. In time, however, the label became a mark of distinction.

**T**HE founder of the Posillipo School was a Dutchman, Anton Smink Pitloo, who settled in Naples in 1816. His star pupil was Giacinto Gigante (1806-76).

Both Pitloo and Gigante were influenced by Turner. The best Posillipo paintings, done directly from nature in a variety of often mixed media — pencil, pen, ink, watercolor and tempera — combine spontaneity with exact observation and stunningly capture atmospheric lighting effects.

Pitloo died during the cholera epidemic of 1837, but left his mark on several distinguished followers, including Eduardo Dalbono and Tondoro Duclere. Gigante, who had become a hit with resident and visiting Russian aristocrats, was eventually summoned to court in 1850, became art master to the Bourbon princesses and was knighted.



"House of Tasso, Sorrento" by Teodoro Duclere, a follower of Pitloo, who founded the Posillipo School.

In 1860, in his brilliant lighting campaign against overwhelming numerical odds, Garibaldi and his 1,000 "Redshirts" swept the Bourbons from Sicily and then Naples, and handed the Kingdom of the Two Sicilies on a plate to the House of Savoy's Victor Emmanuel II. The heroism and self-sacrifice of the Garibaldian spirit is captured in a later canvas, "The Breaching of Porta Pia," by a Neapolitan, Michele Cammarano (1835-1920), on the storming of 1871 of the gate in Rome's walls, which ended the Pope's rule and brought the ancient capital into the new unified Italy. This enormous and exhilarating painting is placed alone at the far end of a large, otherwise darkened room, and as one walks toward it, the charging front rank of the shock troops seems actually to be

in motion, hurtling toward the viewer. Cammarano painted this splendid work, which closes the exhibition, on his return from Paris, much affected by Delacroix. Garibaldi and French Romanticism. Though Naples continued in the post-unification period to give rise to local schools of art, it was to Paris, by then the dominant force, that most Neapolitan artists looked for inspiration.

## BOOKS

## IDENTITY

By Milan Kundera. Translated by Linda Asher. 168 pages. HarperCollins.

Reviewed by  
Christoph Lehmann-Haupt

**V**IEWED superficially, the action of Milan Kundera's compact new novel, "Identity," is simple: almost farcical. While vacationing at a hotel in Normandy, Chantal, who has divorced her husband after the death of their 5-year-old child, is amused to note how all the men "have identified themselves." She reflects, "They aren't fathers, they're just daddies, which means: fathers without a father's authority." She's sure that if she tried to seduce one, he would hiss, "Leave me alone, I'm busy."

When she is joined at the hotel by her lover, Jean-Marc, who is four years younger, she complains to him half-jokingly, "Men don't turn to look at me anymore." Back at their Paris apartment, Jean-Marc, who has taken Chantal's complaint seriously, decides that because she is obviously feeling older, "what she needs is not a loving gaze but a flood of alien, crude, lustful looks settling on her with no goodwill, no discrimination, no tenderness or politeness." So he begins to send her anonymous letters describing himself as someone spying on her and finding her "beautiful, very beautiful."

Although the letters at first serve to inflame the couple's lovemaking, ultimately they backfire. Through a complex process, Chantal and Jean-Marc suffer what might be called the shameful objectification that Kundera has described elsewhere as a threat to all of us in the intrusive modern era. As a result, the two become estranged from each other, losing their identities as lovers.

Of course the novel is far richer than this summary suggests. The main action is repeated in miniature throughout al-

most as if the story were constructed of modules. For instance, while Chantal waits for Jean-Marc to join her at the Normandy resort, she overhears two waitresses discussing a popular television program about people who have mysteriously disappeared called "Out of Sight," and she imagines the horror of losing Jean-Marc "that way someday." And several times in illogically different settings, she encounters a young tattooed man who seems to threaten her sexually.

The novel is full of expressions of the paradoxical feelings so typical of Kundera's longer, more expansive novels like "The Book of Laughter and Forgetting," "The Unbearable Lightness of Being," and "Immortality." For instance, one day while the two of them are eating lunch, Chantal is overcome by "a feeling of unbearable nostalgia for Jean-Marc." How could this happen in his presence? It can "if you glimpse a future where the beloved is no more; if the beloved's death is, invisibly, already present." At this moment, she thinks of her dead child and is flooded with a wave of happiness, because it is his death that has made her presence at Jean-Marc's side "absolute." She does not disclose this reaction to Jean-Marc because she fears "he would see her as a monster."

**T**HE book contains its share of Kundera lectures on the modern era. "How is friendship born?" Jean-Marc asks Chantal. "Certainly as an alliance against adversity," he continues. But "maybe there's no longer a vital need for such an alliance."

"There will always be enemies," rejoins Chantal.

"Yes, but they're invisible and anonymous. Bureaucracies, laws," responds Jean-Marc. "Friendship can no longer be proved by some exploit." He concludes, "We go through our lives without great

perils, but also without friendship."

Despite all these earmarks of the typical Kundera novel, "Identity" remains the most compact and integrated of his recent fictions. In its brevity and unity of plot it surpasses even his previous book, "Slowdown," his first to be written in French instead of Czech and shorter by half than his best-known works.

Does this mean that he has renounced the polyphonic novel with scrambled narrative and multiple authorial voices that has typified his major work? Or is "Identity" going one step further than "Slowdown," where he seemed to be suggesting that form is both more liberating than its opposite and finally inseparable from content?

One clue is that by writing in a form that goes against one's expectations, Kundera has forced the reader to take nothing at face value, but instead to see as tricks what in other writers' works one might view as the straightforward elements of a story. As a result, the meaning of "Identity" keeps collapsing into its opposite like an optical illusion that can be seen two different ways.

The effect is like a film clip that is shown at the ad agency where Chantal works. "On the screen is a behind in a horizontal position, good-looking, sexy, in close-up. A hand is caressing it tenderly, enjoying the skin of this naked, compliant body. Then the camera pulls back and we see the body entire, lying on a small bed. It is a baby, with its mother leaning over it. In the next sequence she lifts him up and her parted lips kiss the lax, wet, wide-open mouth of the nursing. At that instant the camera draws in, and the same kiss suddenly becomes a sensual love kiss." As with the lovers' perceptions of each other in this arresting, slightly frightening story of ideas in opposition, everything depends on a slippery notion of identity that can change from one paragraph to the next.

New York Times Service

## Picturing Bali in a New Light

By Margaret Loke  
New York Times Service

**N**EW YORK — "Bali," an exhibition of Rena Bass Forman's photographs at the Bonni Bernhi Gallery in Manhattan, has nothing to do with the Indonesian island as tourist hot spot and everything to do with a place where the equatorial light is mysterious and sometimes surreal.

A photograph of a well-kept temple surrounded by a dense assortment of trees looks as though it had been taken in the late afternoon, with the long shadow of a tree cast on the ground in front of the surrounding temple wall. But the sky is black and the fronds of a tall palm tree appear to be emitting white smoke.

Forman prefers to work in late-day light, just before sunset, and usually she has a good hour of it. But in Bali, she found, the sun dropped so quickly that day became night in a matter of minutes. This happened while she waited for the right moment to take the picture of the temple, when a puff of white cloud moved behind the palm tree, giving it an unexpected glow.

Forman didn't always wait for such magical moments. The eight 30-by-30-inch (75-by-75-centimeter) prints in the exhibition and a portfolio of 9-by-9-inch prints selected from her Bali project, also available for viewing in the gallery, reveal a landscape photographed with a finely honed eye for the sumptuous contrasts in the Balinese landscape, as well

as for the alchemic power of light.

In another image in the exhibition, a mountain that has been turned into a sculpture, terraced rice paddy has the aura of an ancient temple, surrounded as it is by lush foliage and palm trees, the palm fronds glinting like delicate, polished gold. Here, the orderly horizontal lines of the terraces are nicely balanced with the unruly profusion of trees and above them, huge rolling clouds.

Forman lends her prints a pronounced sepia tone, which has the effect of accentuating Bali's unusual

**Forman's photographs reveal sumptuous contrasts in the landscape.**

light. This toning also highlights the pictures' subject — that nature and man-made structures need not war with each other but can coexist in harmony.

An ancient seated stone Buddha with a piece of fabric draped over one shoulder and present-day offerings on its lap bears the marks of time and the elements, as though it too were part of the natural landscape. Conversely, a sliver of a waterfall cutting through thick foliage looks as though it might have been the result of human intervention.

Although the maturity of these images suggests that the photographer has

been engaged in large-scale landscape photography for some time, Forman, who is 44, spent a decade after finishing college as an arts administrator in New Jersey and Massachusetts, devising art and educational programs for schools and museums. She documented her projects with photographs and did landscape photography in her spare time.

Given a 35-millimeter camera on her 18th birthday, Forman immediately dove into the landscape and fell in love with the landscape.

She stopped working as an administrator in 1984, and began doing watercolors, collages and photography. She did not start on her present body of work until 1993, when a fire in her studio destroyed all her earlier work. After her studio was rebuilt, she decided to go from small to big.

In 1990 she had begun to tone her prints, bleaching her black-and-white prints and then redeveloping them in a toning bath. She began to travel to more exotic places, including the John Day Fossil Beds in Oregon, the grassland and mountains of Turkey, and the Isle of Skye in Scotland.

She would bring back tangible reminders of her trips — a rock or earth — to guide her in the toning. Her Oregon images are selenium toned, her subjects elemental: massive, craggy forms. In Turkey, she photographed rock and volcanic formations against a cloudless sky, her prints again subtly toned. In Bali, where the light was unlike any she had ever experienced, Forman has produced her most complex, evocative work — deeply toned.

## VEE FORMATION By Rich Silvestri

ACROSS	DOWN
1 "See You See Me" singer, 1960s	11 Jazz star
2 Gets red	12 Subject of a Car and Driver rating
3 Gialli's area	13 Took off
4 1984 symphony	14 Pan of w/p m
5 Ching	15 21st century
6 Kabbalah's capital	16 Poetic preposition
7 Lizard	17 Full to the brim
8 Solemn's sprees	18 Put ladder away
9 Puts forward	19 Lie a cast member of
10 In addition	20 Without a cent
11 Gridiron specialist	21 Helped, in brief
12 Prepare	22 Hooper, in brief
13 C-H-H-C	23 "Hall" is a salt
14 Scottish landowner	24 Queue at the bank
15 B.O. stop	25 Plug in the mouth
16 Seal option	26 Veldt nights
17 Saltimbocca	27 Spanish regally
18 Tide weaver	28 Durgom's
19 Fall rear?	29 Dragon sort
20 Wallop	30 Altruism's dog
21 C-H-H-C	31 Judge Kenneth
22 Best Actress of 1957	32 To be in
23 Minimum	33 Barcelona
24 Took five	34 Kaffir hero
25 Little bit	35 Gregor
26 Potato chip brand	36 Captivate
27 Roper	37 Florentine flower
28 Under-taking	38 Confuse
29 Peter Pan's loss	39 The Bible?
30 Red Red Wine	40 Holiday
31 "Gazillion"	41 One by one?
32 Long hair	42 Jazz star
33 Fish	43 Ammie in Beach Blanket Bingo
34 Auntie	44 Hereditary ruler
35 Prime time for Nick	45 Like some college programs
36 Hot issue?	46 OOWW
37 Like the Hara Kiri	47 Made merry
38 Groundwork	48 Greatest source of 1940s immigration
39 Boy-meets-girl event	49 Seemingly
40 Construction	50 It's quarry
41 Called up	51 Water cooler
42 Send out	52 Clanton Joe
43 Something to read	53 Loud speaker
44 Instrument	54 Magdalene College student
45 Take off	55 Subject of a Car and Driver rating
46 Skater	56 Took off
47 "I'll Take —"	57 Pan of w/p m
48 Bob Hope film	58 21st century
49 Not walk straight	59 Poetic preposition
50 Suffered a well-off	60 Full to the brim
51 Little white thing	61 Put ladder away
52 Rock group?	62 Lie a cast member of
53 Lie a cast member of	63 Without a cent
54 Hooper, in brief	64 Helped, in brief
55 Hooper, in brief	65 "Hall" is a salt
56 Queue at the bank	66 Plug in the mouth
57 Plug in the mouth	67 Veldt nights
58 Veldt nights	68 Spanish regally
59 Spanish regally	69 Durgom's
60 Durgom's	70 Dragon sort
61 Altruism's dog	71 Judge Kenneth
62 To be in	72 Barcelona
63 Barcelona	74 Kaffir hero
64 Kaffir hero	75 Gregor
65 Gregor	76 Captivate
66 Captivate	77 Florentine flower
67 Florentine flower	78 Confuse
68 Confuse	79 The Bible?
69 The Bible?	80 Holiday
80 Holiday	81 One by one?
81 One by one?	82 Jazz star
82 Jazz star	83 Ammie in Beach Blanket Bingo
83 Ammie in Beach Blanket Bingo	84 Hereditary ruler
84 Hereditary ruler	85 Like some college programs
85 Like some college programs	86 OOWW
86 OOWW	87 Made merry
87 Made merry	88 Greatest source of 1940s immigration
88 Greatest source of 1940s immigration	89 Seemingly
89 Seemingly	90 It's quarry
90 It's quarry	91 Water cooler
91 Water cooler	92 Clanton Joe
92 Clanton Joe	93 Loud speaker
93 Loud speaker	94 Instrument
94 Instrument	95 Take off
95 Take off	96 Skater
96 Skater	97 "I'll Take —"
97 "I'll Take —"	98 Bob Hope film
98 Bob Hope film	99 Not walk straight
99 Not walk straight	100 Suffered a well-off
100 Suffered a well-off	101 Little white thing
101 Little white thing	102 Rock group?
102 Rock group?	103 Lie a cast member of
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107 "Hall" is a salt	108 Queue at the bank
108 Queue at the bank	109 Plug in the mouth
109 Plug in the mouth	110 Veldt nights
110 Veldt nights	111 Spanish regally
111 Spanish regally	112 Durgom's
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113 Dragon sort	114 Altruism's dog
114 Altruism's dog	115 Judge Kenneth
115 Judge Kenneth	116 To be in
116 To be in	117 Barcelona
117 Barcelona	118 Kaffir hero
118 Kaffir hero	119 Gregor
119 Gregor	120 Captivate
120 Captivate	121 Florentine flower
121 Florentine flower	122 Confuse
122 Confuse	123 The Bible?
123 The Bible?	124 Holiday
124 Holiday	125 One by one?
125 One by one?	126 Jazz star
126 Jazz star	127 Ammie in Beach Blanket Bingo
127 Ammie in Beach Blanket Bingo	128 Hereditary ruler
128 Hereditary ruler	129 Like some college programs
129 Like some college programs	130 OOWW
130 OOWW	131 Made merry
131 Made merry	132 Greatest source of 1940s immigration
132 Greatest source of 1940s immigration	133 Seemingly
133 Seemingly	134 It's quarry
134 It's quarry	135 Water cooler
135 Water cooler	136 Clanton Joe
136 Clanton Joe	137 Loud speaker
137 Loud speaker	138 Instrument
138 Instrument	139 Take off
139 Take off	140 Skater
140 Skater	141 "I'll Take —"
141 "I'll Take —"	142 Bob Hope film
142 Bob Hope film	143 Not walk straight
143 Not walk straight	144 Suffered a well-off
144 Suffered a well-off	145 Little white thing
145 Little white thing	146 Rock group?
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148 Without a cent	149 Helped, in brief
149 Helped, in brief	150 Hooper, in brief
150 Hooper, in brief	151 "Hall" is a salt
151 "Hall" is a salt	152 Queue at the bank
152 Queue at the bank	153 Plug in the mouth
153 Plug in the mouth	154 Veldt nights
154 Veldt nights	155 Spanish regally
155 Spanish regally	156 Durgom's
156 Durgom's	157 Dragon sort
157 Dragon sort	158 Altruism's dog
158 Altruism's dog	159 Judge Kenneth
159 Judge Kenneth	160 To be in
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161 Barcelona	162 Kaffir hero
162 Kaffir hero	163 Gregor
163 Gregor	164 Captivate
164 Captivate	165 Florentine flower
165 Florentine flower	166 Confuse
166 Confuse	167 The Bible?
167 The Bible?	168 Holiday
168 Holiday	169 One by one?
169 One by one?	170 Jazz star
170 Jazz star	171 Ammie in Beach Blanket Bingo
171 Ammie in Beach Blanket Bingo	172 Hereditary ruler
172 Hereditary ruler	173 Like some college programs
173 Like some college programs	174 OOWW
174 OOWW	175 Made merry
175 Made merry	176 Greatest source of 1940s immigration
176 Greatest source of 1940s immigration	177 Seemingly
177 Seemingly	178 It's quarry
178 It's quarry	179 Water cooler
179 Water cooler	180 Clanton Joe
180 Clanton Joe	181 Loud speaker
181 Loud speaker	182 Instrument
182 Instrument	183 Take off
183 Take off	184 Skater
184 Skater	185 "I'll Take —"
185 "I'll Take —"	186 Bob Hope film
186 Bob Hope film	187 Not walk straight
187 Not walk straight	188 Suffered a well-off
188 Suffered a well-off	189 Little white thing
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194 Hooper, in brief	195 "Hall" is a salt
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197 Plug in the mouth	198 Veldt nights
198 Veldt nights	199 Spanish regally
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203 Judge Kenneth	204 To be in
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206 Kaffir hero	207 Gregor
207 Gregor	208 Captivate
208 Captivate	209 Florentine flower
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210 Confuse	211 The Bible?
211 The Bible?	212 Holiday
212 Holiday	213 One by one?
213 One by one?	214 Jazz star
214 Jazz star	215 Ammie in Beach Blanket Bingo
215 Ammie in Beach Blanket Bingo	216 Hereditary ruler
216 Hereditary ruler	217 Like some college programs
217 Like some college programs	218 OOWW
218 OOWW	219 Made merry
219 Made merry	220 Greatest source of 1940s immigration
220 Greatest source of 1940s immigration	221 Seemingly
221 Seemingly	222 It's quarry
222 It's quarry	223 Water cooler
223 Water cooler	224 Clanton Joe
224 Clanton Joe	225 Loud speaker
225 Loud speaker	226 Instrument
226 Instrument	227 Take off
227 Take off	228 Skater
228 Skater	229 "I'll Take —"





# 11th Hour for the Philippines' 'Man of the Masses'

## As Presidential Election Nears, Business Community Ponders Popularity of Estrada

By Don Kirk  
International Herald Tribune

MAKATI CITY, Philippines — Members of the Philippines elite once liked to laugh at Joseph Estrada, the former comic actor who serves as the country's vice president.

Many other Filipinos just chuckled affectionately over Mr. Estrada's slapstick movie career and the frequent reports of his drinking, womanizing and even consorting with gangsters.

But since Mr. Estrada soared to the lead in voter polls and now appears likely to win the country's presidential election on Monday, the laughter has died down. Veteran business executives in this high-rise financial center of metropolitan Manila are spending a lot of their free time these days analyzing why Mr. Estrada has such strong public appeal in a society long dominated by wealthy merchant families.

"He's a man of the masses," said Arthur Sokolow, who runs a fund management company. "It's the masses who go to see these grade B films. He doesn't come from the establishment. They see the establishment as his biggest opponents, and the establishment is the elite."

If the latest polls showing Mr. Estrada with about 33 percent of the vote in the 11-candidate field are correct, he will handily win election as president on Monday for a six-year term. He would take office at a time when the economy is hovering on the brink of crisis.

Although the Philippine peso has slumped drastically and business is growing at its slowest pace in five years, analysts still believe the country will avoid the recession that has hit other Southeast Asian nations.

Much of the credit for the Philippines' economic resilience goes to President Fidel Ramos, who has liberalized



Joseph Estrada, who leads presidential polls, with his wife, Lol, on Friday.

the economy and opened up markets during his six-year term. Indeed, a testament to the change during his presidency is that the economy is likely to survive both Asia's economic slowdown and the election of Mr. Estrada.

Under such circumstances, business executives are slowly coming to grips with the fact that the 61-year-old vice president, for all his faults, may soon be governing this country of 71 million people. The jovial, beer-bellied populist, they say, may not be so bad after all.

"I'm not a bit alarmed," said George Drysdale, an American businessman who has spent most of his career in the Philippines. "He's smart enough to

know he's got to follow the policy that has worked."

Mr. Drysdale, like many other investors and traders here, is convinced that Mr. Estrada means it when he says he will support the liberalization measures that Mr. Ramos rammed through an often reluctant Philippine congress.

Still, the World Bank wants a promise that he will continue economic reforms and has threatened to withhold a \$500 million loan without it, according to Bloomberg News.

"The bank's board will need to be assured that the new president-elect is committed to the banking sector reform program," Vinay Bhargava, director for the World Bank's operations in the Phil-

ippines, said Friday.

Noel Boncan, an attorney with SyCip Gorres Velayo & Co., a leading accounting firm in Manila, said he thought "Erap," as Mr. Estrada is often referred to, would "make a lot of people very nervous."

"But I don't think his election will adversely affect the economy," he said.

Mr. Ramos has made clear his disdain for Mr. Estrada, whom he frequently has tried to ignore as the No. 2 political leader of the country. The vice president runs on a separate ticket, and Mr. Estrada easily defeated Mr. Ramos's choice in 1992.

This year, Mr. Ramos, who is barred from seeking a second term by the Philippine constitution, has thrown his support behind Jose de Venecia, who pushed through much of the president's reform program as Speaker of the House of Representatives and is sure to want to carry on his policies.

But Mr. Ramos is clearly identified with the establishment. He is a career general who once worked for Ferdinand Marcos but then sided with former President Corason Aquino against the dictator.

Mrs. Aquino, from one of the country's richest landowning families, also represents the establishment even though she led what appeared to be a popular uprising against Mr. Marcos more than 12 years ago. She supports Alfredo Lim, the hard-nosed mayor of Manila, for president.

The man most likely to exercise the greatest influence on Mr. Estrada if he is elected may well be his vice-presidential candidate, Edgardo Angara, who as leader of the Philippine senate also helped push through President Ramos's program. But Mr. Angara, a former president of the University of the Philippines, is seen as having little chance to win that office.



Japan's finance minister, Hikaru Matsunaga, left, being greeted by the U.S. Treasury secretary, Robert Rubin, on Friday in London for G-7 talks.

# U.S., U.K. and Japan Optimistic on Asia

By Tom Buerkle  
International Herald Tribune

LONDON — Senior officials of the United States, Britain and Japan voiced optimism Friday that Asia's economic crisis was bottoming out, but they urged Asian governments, in particular Indonesia, to match economic adjustments with political reforms aimed at strengthening democracy and alleviating the social costs of recession.

The comments came as finance and foreign ministers of the Group of Seven nations gathered here for their annual meeting devoted primarily to revamping the international financial system to prevent, or better manage, future financial crises.

They reflected heightened concern about political instability not only in Indonesia, which a senior official called a powder keg after riots over price increases earlier this week, but also in South Korea, Thailand and Malaysia, where financial markets have begun to recover but large-scale layoffs and other restructuring still loom.

Economic reform in Indonesia "must be accompanied by political reform, with the respect for individual rights that is necessary," said Gordon Brown of Britain, the chancellor of the Exchequer, who was chairing the finance ministers' meeting. "There is no room for oppression in any society," said Mr. Brown, who met with President Suharto in Jakarta earlier this week.

Mr. Brown also said ministers would call on the World Bank president, James Wolfensohn, to step up public works projects aimed at easing the pain of structural reform in developing countries.

Foreign Minister Keizo Obuchi of Japan said the situation in Indonesia had "turned better in the economic aspect." He said, "Looking at it socially, however, ordinary citizens have begun to be affected. I am concerned about it, and will watch the situation closely."

In an address to bankers in the City of London, Robert Rubin, the U.S. Treasury secretary, spoke of "beginning to see a return to financial stability" in Asia. But he said Asian governments needed to stick with their economic reform programs of budget tightening, banking reform and corporate restructuring "as difficult politically as that may be."

The meetings here Friday and Saturday were expected to refine a number of proposals put forward in recent months for overhauling the world financial system, including requirements for greater openness about economic policies to avoid crises; tighter surveillance of national economies by the International Monetary Fund and the World Bank, including warnings for any governments that reject economic reforms; and getting private banks and investors to pay a greater share of the cost of bailing out troubled economies.

Ahead of the meeting, the IMF man-

See G-7, Page 13

## ECONOMIC SCENE

# U.S. Auto Union Sees Opportunity in German Link

By Frank Swoboda  
Washington Post Service

WASHINGTON — When U.S. labor unions used to call for the workers of the world to unite, little did they dream it would help them do it.

The takeover of Chrysler Corp. by Germany's Daimler-Benz AG, announced Thursday in London, raises enormous questions for labor and its ability to capitalize on the increasing globalization of everything from automaking to package delivery.

The takeover not only marries two of the world's most famous carmakers, it places two of the world's most powerful labor unions — the Detroit-based United Auto Workers and Germany's giant IG Metall — under the same corporate roof.

The deal, which still must be approved by both companies' shareholders, comes at a time when the UAW is

involved in a major merger of its own. Targeted for 2001, the merger with the United Steelworkers Union and the International Association of Machinists would create a metal workers union in the United States with 2 million members, basically patterned after the structure of IG Metall itself.

"This is a great opportunity for labor," said the former UAW president, Douglas Fraser, who led the union through the dark days of the Chrysler bailout nearly 20 years ago. "I think it naturally follows that the two unions will work together more closely."

Daimler and Chrysler, for example, each have production facilities around the world. Don Stillman, who heads the UAW's Washington office, said the combined clout of the unions will give them more leverage to help workers at company plants worldwide, some of which are not unionized. Mr. Stillman said the takeover also offers

an opportunity for the UAW to try to bring some of the West European "labor tools" such as co-determination, worker councils and information disclosure to Chrysler.

But there also is a dark side for labor, which could result in the two unions fighting each other for future jobs. "The labor costs in Germany are significantly higher than they are in the U.S.," Mr. Fraser said. "If Daimler-Benz decides to build in the U.S. rather than Germany, it could rub them the wrong way," he said, referring to IG Metall.

Mr. Fraser also cautioned that promises made by the two companies — no job reductions as part of the takeover — could change dramatically if there is a sudden downturn in the industry. Mr. Fraser, who served on Chrysler's board, noted the company was so heavily involved in light-truck manufacturing that it essentially is a niche player, vulnerable to the cyclical nature of

the auto business. "It's not well rounded," he said.

"There's an old cliché that you cannot divide up scarcity, you can only share in abundance," Mr. Fraser said. "If you have scarcity in Germany, you can visualize competition" between the two unions.

Daimler's U.S. investment is apt to be the most immediate test for the merged corporation and its unions. The UAW president, Stephen Yokich, raised that possibility when he suggested that Daimler's nonunion assembly plant in Vance, Alabama, should be put under the UAW's contract with Chrysler. The UAW already has started an organizing campaign at the plant, which makes the Mercedes-Benz M-Class sport utility vehicles.

Mr. Yokich said at a news conference in Detroit that the Chrysler-Daimler merger could be a win-win

See UNIONS, Page 13

# EU Banker Satisfied With Dollar Rate

Compiled by Our Staff From Dispatches

BRUSSELS — Christian Noyer, the vice president-designate of the European Central Bank, said Friday the exchange rates between the dollar and the currencies of the euro bloc were satisfactory.

"It would be good to keep the rate around current levels," Mr. Noyer, the former head of the French Treasury, told the Committee on Economic and Monetary Affairs of the European Parliament.

Mr. Noyer was the last of six European Central Bank executive board nominees to testify to the European Parliament, which will vote on them Monday.

The hearings of the candidates, who will set monetary policy for the 11 countries taking part in the single currency, comes after a meeting last weekend in

which European Union leaders chose euro participants and set exchange rates.

The hearings, a dry run for what the Parliament hopes will be a regular quarterly cross-examination of the Frankfurt-based institution, showed that Europe is about to get a hard-nosed central bank committed to stamping out inflation.

While some of the six said the central bank should look at Europe's high jobless rate when setting interest rates, all said monetary policy could only be relaxed to foster growth once price stability — defined by most as a rate of inflation in a range of zero to 2 percent — had been assured.

All of the candidates said they were against sacrificing internal price stability in the name of pursuing an external exchange-rate goal.

Inflation in the 11 countries set to begin economic and monetary union next year was 1.2 percent in March, according to latest data from the EU statistics agency Eurostat.

Mr. Noyer said the goal of the European Central Bank would be to secure long-term price stability, which he said had already been achieved in the European Union.

Hans Tietmeyer, the president of the Bundesbank, said Friday the proposed board "reinforces confidence in the future monetary policy" of the central bank.

Asked whether he will be above political pressure, Mr. Noyer said: "I have never put aside my convictions to please. I am ready to get angry with somebody to ensure my independence. Do not have fears about my independence." (Bloomberg, Reuters)



Christian Noyer of France says he will not succumb to political pressure.

## CURRENCY & INTEREST RATES

Cross Rates										May 8										Libid-Libor Rates										May 8									
	£	DM	FF	Yen	Sc	Sw	DK	Nor	Fin		Dollar	3-M	6-M	9-M	12-M	Swiss	Sterling	French	Yen	ECU		3-M	6-M	9-M	12-M	Swiss	Sterling	French	Yen	ECU									
Australian	1.586	1.346	1.708	1.031	0.7143						1-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%	1-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%							
Brussels	3.404	3.404	3.404	3.404	3.404						3-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%	6-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%							
Frankfurt	1.936	1.936	1.936	1.936	1.936						1-year	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%	1-year	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%							
London	1.000	1.000	1.000	1.000	1.000						Sources: Reuters, Libor Bank										Sources: Reuters, Libor Bank																		
Madrid	163.70	163.70	163.70	163.70	163.70						Note: applicable in Liborbank deposits of \$1 million minimum (or equivalent).										Note: applicable in Liborbank deposits of \$1 million minimum (or equivalent).																		
Milan	1.365	1.365	1.365	1.365	1.365																																		
New York (3)																																							
Osaka	133.3	133.3	133.3	133.3	133.3																																		
Paris	1.365	1.365	1.365	1.365	1.365																																		
Tokyo	1.000	1.000	1.000	1.000	1.000																																		
Zurich	1.475	1.475	1.475	1.475	1.475																																		
ECU	1.100	1.100	1.100	1.100	1.100																																		
1 SDR	1.360	1.360	1.360	1.360	1.360																																		
Clonings in Amsterdam, London, Milan, Paris and Zurich, findings in other centers: New York and Toronto rates of 4 P.M.																																							
To buy one point is: To buy one dollar "Units of 100 M.L.D.; not quoted: N.A. not available.																																							
To buy one point is: To buy one dollar "Units of 100 M.L.D.; not quoted: N.A. not available.																																							
Other Dollar Values										Key Money Rates										United States																			
Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$		Today	Prev	Article	Discount rate	5.00	5.00	Bank base rate	7.1%	7.1%		1-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%								
Argentine peso	0.9999	Greek drach	309.10	Malaysian ringgit	2.36	S. African rand	5.0025	Thai baht	54.78	1-year T-bill	4.99	5.11	Prime	1-month	5.1%	5.4%	1-month	5.1%	5.4%	1-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
Australian dollar	1.5726	Hong Kong dollar	7.755	Philippine peso	54.78	S. Korean won	136.78	Taiwan dollar	24.63	2-year T-bill	100-12	5.8	5.8	2-month	5.1%	5.4%	2-month	5.1%	5.4%	2-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
Canadian dollar	1.3225	Indian rupee	20.47	Singapore dollar	1.36	Uruguayan peso	24.63	Vietnamese dong	2,000	3-year T-bill	100-12	5.8	5.8	3-month	5.1%	5.4%	3-month	5.1%	5.4%	3-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
Chinese yuan	8.2759	Indonesian rupiah	1,577.5	Sri Lankan rupee	20.47					10-year T-bill	100-12	5.8	5.8	4-month	5.1%	5.4%	4-month	5.1%	5.4%	4-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
Czech koruna	32.57	Israeli sheqel	2.037	Turkish lira	24.63					10-year T-bill	100-12	5.8	5.8	5-month	5.1%	5.4%	5-month	5.1%	5.4%	5-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
Danish krone	6.46	Japanese yen	163.6	Uruguayan peso	24.63					10-year T-bill	100-12	5.8	5.8	6-month	5.1%	5.4%	6-month	5.1%	5.4%	6-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
East German mark	1.00	Korean won	136.78	Vietnamese dong	2,000					10-year T-bill	100-12	5.8	5.8	7-month	5.1%	5.4%	7-month	5.1%	5.4%	7-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
Finland markka	5.946	Malaysian ringgit	2.36							10-year T-bill	100-12	5.8	5.8	8-month	5.1%	5.4%	8-month	5.1%	5.4%	8-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
Forward Rates	1.4395	1.4371	1.4354	1.4319	1.4282	1.4245	1.4208	1.4171	1.4134	10-year T-bill	100-12	5.8	5.8	9-month	5.1%	5.4%	9-month	5.1%	5.4%	9-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
Canadian dollar	1.3225	1.3201	1.3184	1.3149	1.3112	1.3075	1.3038	1.2999	1.2962	10-year T-bill	100-12	5.8	5.8	10-month	5.1%	5.4%	10-month	5.1%	5.4%	10-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
Deutsche mark	1.936	1.9336	1.9319	1.9284	1.9247	1.9210	1.9173	1.9136	1.9099	10-year T-bill	100-12	5.8	5.8	11-month	5.1%	5.4%	11-month	5.1%	5.4%	11-month	5.1%	5.4%	5.3%	5.1%	1.1%	7.1%	7.2%	7.3%	7.4%	4.1%									
Sources: ING Bank (Amsterdam); Citicorp (New York); Deutsche Bank (Frankfurt); Royal Bank of Canada (Toronto); IMF (Washington, D.C.). Other data from the Associated Press, Bloomberg and Reuters.																																							

“?” “?” “?” “?” “?” “?” “?” “?” “?” “?”

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# German Jobless Rate Tips Down to 11.4%

FRANKFURT — Unemployment dropped in Germany to 11.4 percent in April from 12.1 percent the month before, but the number of people without jobs hit another peak, the federal labor office said Friday.

About 4.2 million people were out of work in April, 202,700 less than in March, but 74,000 more than in April last year and a record high for that month.

On a seasonally adjusted basis, the number of people who were out of work fell 25,000, to 4.39 million, as joblessness in Eastern Germany showed a decline that has been anticipated for some time.

Western Germany's jobless rate was 9.5 percent in April, compared with 10.0 percent in March, while the Eastern rate fell to 19.4 percent from 20.6 percent.

Chancellor Helmut Kohl's government, facing general elections in September in which unemployment is a key issue, said improvements in the labor market were "unmistakable," but that more job creation was needed.

The head of the federal labor office in Nuremberg, Bernhard Jagoda, attributed the decrease in the jobless rate to seasonal factors, make-work programs and a steadier economy. He said it was not clear whether the improvement would continue.

Separately, the Bundesbank said in its monthly jobs report that "signs of stabilization in the labor market are growing," at least in Western Germany.

But for the fourth straight month, activists protested in cities throughout Germany as the jobless figures were released. They demanded that the government do more to create jobs. In Frankfurt, about 300 people rallied in a central square, blowing whistles and carrying signs demanding jobs.

Rudolf Scharping, the parliamentary leader of the opposition Social Democrats, said that joblessness was "dramatic" despite the April figures. Some analysts said the improvement in the labor market had probably come too late to help Mr. Kohl's coalition in the elections.

Separate data released Friday showed that new orders to Germany's manufacturing industry had dropped 1.3 percent in March, as orders from domestic companies slumped.

Combined with a report Thursday that March industrial output had fallen, the figures could cast doubt on a government prediction of growth as high as 3 percent this year, after a 2.2 percent expansion in 1997. (AP, Reuters, Bloomberg)

Swiss Advance  
On Jobs Front

BERN — The jobless rate in Switzerland fell to 4.2 percent in April from 4.6 percent in March, according to data released Friday, as the number of unemployed fell 11,786 from the previous month to 153,897.

After years of belt-tightening, Swiss companies such as Novartis AG, a drug maker, have begun creating more new jobs than they are shedding, as demand at home and abroad accelerates. The Swiss economy is expected to grow about 2 percent this year, according to the Swiss National Bank, which predicts the strongest growth since 1989.

The jobless report comes after a number of indicators pointed to accelerating growth. Industrial activity expanded for a fourth month in April, the Swiss Association of Purchasing Managers said this week.

The index of leading economic indicators, a gauge of future economic growth, rose 1.5 percent in March from a year earlier.

The unemployment rate has been falling since February 1997, when it reached a record 5.7 percent.



A protester in Berlin, carrying a sign that reads "Share work fairly." The number of jobless in April set a record for the month.

# Chip Sales Take a Global Dip

Worldwide sales of computer microchips fell by 4.9 percent in March from a year earlier as nerversly lowered prices for memory chips, an industry association announced on Friday.

Sales fell to \$10.429 billion, the Semiconductor Industry Association said. The decline followed six months of steadily slowing growth since September.

Only Europe among the four regional markets tracked by the association — including the Americas, Japan and the Asia-Pacific region — had sales growth of more than 1 percent during the month.

"The chip industry is cyclical," said George Scalise, president of

Semiconductor Industry Association. But the group is "optimistic that sales will return to historical growth patterns in 1999," he added, "as unit demand continues to increase, and supply and demand come into better balance."

Japanese sales plunged 13.5 percent, to \$2.237 billion, in March from a year earlier.

Sales in the Americas, the largest regional market, fell 7.2 percent, to \$3.416 billion.

European sales rose 2.9 percent, to \$2.443 billion, while Asia-Pacific sales gained 0.3 percent, to \$2.333 billion.

Worldwide microchip sales fell 0.9 percent overall in March from February.

# Sales Surging, Eurobonds In '98 Could Hit \$1 Trillion

LONDON — The European bond market is on track for a record \$1 trillion of new issues this year, as borrowers taking advantage of near-record low yields give investors a wider range of securities to choose from.

As of May 6, \$402.7 billion of Eurobonds had been sold, outstripping the \$273 billion sold at that point last year, according to Capital Data Bankware, which tracks bond sale figures.

Moreover, with investors already expecting a rise in official interest rates in the United States, the world's biggest economy, and in Germany, Europe's benchmark economy, it is unlikely that higher rates will dampen demand for new bonds.

"If you annualize the amount already sold, it works out to more than \$1 trillion," said Peter Price, head of fixed income at Hill Samuel Asset Management, which oversees \$8 billion (\$13.2 billion) of bonds.

"Government bond markets are discounting interest rate rises so even if the Bundesbank hikes, it likely won't slow down new sales."

It's not the first time the market has looked set to hit the \$1 trillion mark. Last year, when \$90 billion of new bonds went on sale in January, bankers began to expect a \$1 trillion year. A slump in Asian stocks, bonds and currencies in the second half of the year smothered demand for emerging market debt, however, and the market total only reached \$746 billion by 1997.

So far, this year's only threat to the bond market setting a 13-digit record is the prospect of higher interest rates in Europe and the United States, reflected in the interest rate futures market.

The three-month September dollar contract has an implied rate of 5.73 percent, or 4 basis points more than the current three-month rate offered between banks.

# Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
5400	6200	4200
5000	5800	3800
4700	5400	3400
4300	5000	3000
4000	4600	2600
3850	4400	2400
1997	1997	1997
Exchange	Index	Index
Amsterdam AEX	1,163.88	1,143.34
Brussels BEL-20	3,959.46	3,929.47
Frankfurt DAX	5,857.58	5,186.23
Copenhagen Stock-Index	751.50	
Helsinki HEX Index	4,929.29	4,909.38
Oslo OBX	738.44	739.82
London FTSE 100	5,999.88	5,938.00
Nordic Stock Exchange	553.25	552.04
Milan MBTEL	24015	23517
Paris CAC 40	4,984.57	4,984.57
Stockholm SV 16	4,984.57	4,984.57
Vienne ATX	4,984.57	4,984.57
Zurich SPI	4,984.57	4,984.57

Source: Reuters

# Very briefly:

- Robeco Groep NV, the asset management arm of Rabobank Nederland, said it would buy Weiss, Peck & Greer LLC for an initial payment of \$375 million, plus up to \$200 million more over the next five years depending on future profit at the U.S. asset-management firm.
- Hillsdown Holdings PLC said it would shed its chilled-food, house-building and furniture divisions, which make up a third of its sales, as part of a reorganization program amid falling profit.
- Scandinavian Airlines System and Lufthansa Airlines aim to establish a strategic partnership no later than Sept. 1.
- Granada Group PLC and Carlton Communications PLC said they were on track to launch their British Digital Broadcasting venture in the fourth quarter, and forecast strong profits.
- Petrofina SA, the Belgian oil concern, said it was signing a venture with the German chemicals company BASF AG to build the world's largest naphtha steam cracker, a machine that breaks up chemical compounds, in the United States.
- MAN AG, the German truck and machinery maker, posted an 18 percent rise in sales for the nine-month period ended March 31, to 15.8 billion Deutsche marks (\$8.9 billion).
- A U.S. communications satellite successfully went into orbit after blasting off aboard a Russian Proton rocket from the Baikonur cosmodrome in Kazakhstan, space officials said.
- Pharmacia & Upjohn Inc., the Swedish-American pharmaceutical group, said it expected to see double-digit profit growth in the next few years.

# WORLD STOCK MARKETS

Friday, May 8	High	Low	Close	Prev.	High	Low	Close	Prev.	High	Low	Close	Prev.	High	Low	Close	Prev.
Amsterdam	1,163.88	1,163.88	1,163.88	1,163.88	Amsterdam	1,163.88	1,163.88	1,163.88	Amsterdam	1,163.88	1,163.88	1,163.88	Amsterdam	1,163.88	1,163.88	1,163.88
Brussels	3,959.46	3,959.46	3,959.46	3,959.46	Brussels	3,959.46	3,959.46	3,959.46	Brussels	3,959.46	3,959.46	3,959.46	Brussels	3,959.46	3,959.46	3,959.46
Frankfurt	5,857.58	5,857.58	5,857.58	5,857.58	Frankfurt	5,857.58	5,857.58	5,857.58	Frankfurt	5,857.58	5,857.58	5,857.58	Frankfurt	5,857.58	5,857.58	5,857.58
Copenhagen	751.50	751.50	751.50	751.50	Copenhagen	751.50	751.50	751.50	Copenhagen	751.50	751.50	751.50	Copenhagen	751.50	751.50	751.50
Helsinki	4,929.29	4,929.29	4,929.29	4,929.29	Helsinki	4,929.29	4,929.29	4,929.29	Helsinki	4,929.29	4,929.29	4,929.29	Helsinki	4,929.29	4,929.29	4,929.29
Oslo	738.44	738.44	738.44	738.44	Oslo	738.44	738.44	738.44	Oslo	738.44	738.44	738.44	Oslo	738.44	738.44	738.44
London	5,999.88	5,999.88	5,999.88	5,999.88	London	5,999.88	5,999.88	5,999.88	London	5,999.88	5,999.88	5,999.88	London	5,999.88	5,999.88	5,999.88
Nordic	553.25	553.25	553.25	553.25	Nordic	553.25	553.25	553.25	Nordic	553.25	553.25	553.25	Nordic	553.25	553.25	553.25
Milan	24015	24015	24015	24015	Milan	24015	24015	24015	Milan	24015	24015	24015	Milan	24015	24015	24015
Paris	4,984.57	4,984.57	4,984.57	4,984.57	Paris	4,984.57	4,984.57	4,984.57	Paris	4,984.57	4,984.57	4,984.57	Paris	4,984.57	4,984.57	4,984.57
Stockholm	4,984.57	4,984.57	4,984.57	4,984.57	Stockholm	4,984.57	4,984.57	4,984.57	Stockholm	4,984.57	4,984.57	4,984.57	Stockholm	4,984.57	4,984.57	4,984.57
Vienne	4,984.57	4,984.57	4,984.57	4,984.57	Vienne	4,984.57	4,984.57	4,984.57	Vienne	4,984.57	4,984.57	4,984.57	Vienne	4,984.57	4,984.57	4,984.57
Zurich	4,984.57	4,984.57	4,984.57	4,984.57	Zurich	4,984.57	4,984.57	4,984.57	Zurich	4,984.57	4,984.57	4,984.57	Zurich	4,984.57	4,984.57	4,984.57

[illegible]

continued From Page 9

union for everybody "if other things happened reducing the UAW and the new corporation," and the

Danaher is not an unknown name to the UAW. The United Brotherhood of Carpenters and Joiners of America represents workers at Danaher's Freightliner heavy-duty truck plant in Mount Holly, North Carolina, and the International Association of Machinists represents company's headquarters in Portland, Oregon.

But the UAW's relationship with IG Metall goes back much further. The two groups have the oldest close-together last February of World War II. The UAW sponsored a Washington seminar with top leaders of both unions to explore how it might be applied to the German economic system.

"We have personal relationships that are very well established," Mr. Stillman says. "As you look out ahead, you do not have a desire to cut men and lay off workers. We're not looking in the rear but at workers being pinned one against the other."

But even if things do not work out, one top UAW official predicted the union

would prosper. "We've haven't been some members before said," "You've got questions when you're going," Michael Weinstein.

■ **Shareholders Fit**

Chrysler Corp. said on Friday said a Danaher-Bend AG's of the U.S.'s third automaker, saying officials should have other bids for the ex-Blooming News-1 from Wilmington, Delaware.

Danaher, a Maryland Linotype Co., Inc., stockholders, filed a lawsuit in Delaware Chancery Court.

Chrysler executives indicate shareholders' involvement because the party did not open the bids before it was so sure. It does not specify many shares Mr. Fi and the company own.

"Given that Chrysler will be a entity, Chrysler should be effectively with process designed to not best price reasonable" for the company said.

ASIA/PACIFIC

# 6 Japanese Credit Unions to Close

By Sandra Sugawara  
Washington Post Service

**TOKYO**—Six ailing credit unions in Japan announced Friday that they would shut their doors, the first of what analysts expect will be a series of closures of small institutions as authorities move to clean up the nation's financial system.

The savings accounts and healthy loans of the credit unions will be handed over to banks or healthier credit unions, the Finance Ministry said.

"I would not be surprised to see a lot more of this, this year and next, because the Ministry of Finance is fairly committed to cleaning up the banking system," said J. Brian Waterhouse, a Tokyo-based analyst with HSBC Se-

curities. He added that the closure of additional small institutions would not necessarily be a symptom of a collapsing banking system, but rather a step toward needed consolidation.

For years, Japanese authorities have ignored calls that they close down weak banks and financial institutions. But after three major bankruptcies last November rocked Japan's financial system, Finance Ministry and central bank officials privately began indicating that they would seek an orderly closure of weak institutions.

In recent weeks, Japanese authorities have said they now had the funds to do that, because of a \$227 billion bank bailout measure approved earlier this year by Parliament. The funds are in-

tended to be used to inject capital into banks, especially those taking over failed institutions, and to beef up the banking deposit-insurance system, which guarantees most deposits at institutions that are closed down.

There are 349 credit unions in Japan, most quite small. They were designed to serve small companies and local residences of an area. Phil Jones, an analyst with Thomson Bank Watch, said that many credit unions lost out when banks began expanding their business to go after more individual customers and small companies.

Nara Credit Union will be closed, and its healthy operations will be transferred to Nanto Bank, the second largest regional bank in the Osaka area.

Sagamihara Credit Union will hand over its healthy operations to Yachiyo Bank, Kanagawa Shoko Credit Union to Kawasaki Shinkin Bank and Shonan Credit Union to Asahi Credit Union.

The three failed credit unions had a total of \$435 million in bad loans, according to Kyodo. Although all three are from the same region, south of Tokyo, the closures are not expected to have any impact on the local economy because of their small size and because their operations will be transferred to other institutions, said analysts. Two credit unions in western Japan — Yamaguchi Shogin and Shimane Shogin — will transfer their operations to Hiroshima Shogin.

## Very briefly:

• PT Garuda Indonesia plans to return six McDonnell Douglas MD-11 planes it leased and sell five Airbus 300-B4s to cut costs as passenger traffic plummets. The move will eliminate about 20 percent of the national airline's fleet.

• The Securities Commission of Malaysia suspended the trading licenses of two stock brokerages, MBF Northern Securities and Labuan Securities. The brokerages were the targets of trading restrictions earlier this year because they could not meet minimum capital requirements. If they fail to comply with requirements by July 11, their licenses will be revoked.

• Malaysia saw the opening of a huge shopping mall, Suria KLCC, at the foot of the Petronas towers, the world's tallest buildings, despite the country's economic slump. The mall has 90,000 square meters (1 million square feet) of floor space, 80 percent of which already has been leased.

• Sumitomo Corp. has cut its forecast for net profit for the year ended March 31 by 27 percent, to 22 billion yen (\$165.1 million) because of losses on its stock portfolio and provisions for settling copper-trading lawsuits. Sumitomo said it had set aside 19.8 billion yen to pay claims on lawsuits filed in connection with \$2.6 billion in copper trading losses.

• Sanwa Bank Ltd. sold off tens of billions of yen in stockholdings during the past business year as part of a push to trim away unprofitable business and increase return on equity. The bank declined to provide precise figures.

• Intel Corp.'s Asian earnings have been underpinned by strong personal computer sales in China, which have helped offset the effects of a slowdown in the rest of the region, James Jaret, a senior executive, said. He said the Chinese market for PCs is projected to grow by as much as 30 percent this year. Andy Grove, Intel's chairman, said he was optimistic about the region in the long term but cautious in the medium term.

• Mizuno Corp., a sporting-goods maker that sponsors the golf pro Nick Faldo, posted a loss of 291 million yen for the six months ended March 31, compared with a profit of 860

## Investor's Asia

Hong Kong		Singapore		Tokyo	
Hang Seng		Straits Times		Nikkei 225	
13000	2000	17000		17000	
12000	1800	16000		16000	
11000	1600	15000		15000	
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Exchange		Index		Friday	
Hong Kong		Hang Seng		Close	
				19,056.88	9,971.83 +0.89
Singapore		Straits Times		1,420.75	1,428.50 -0.54
Sydney		All Ordinaries		2,780.50	2,780.80 -0.01
Tokyo		Nikkei 225		15,143.09	15,143.03 +0.04
Kuala Lumpur		Composite		588.85	586.83 -1.18
Bangkok		SET		395.42	393.95 -1.51
Seoul		Composite Index		373.04	379.47 -1.59
Taipei		Stock Market Index		6,210.84	6,290.37 -0.95
Manila		PSE		2,209.96	2,188.97 +0.91
Jakarta		Composite Index		4,446.55	4,367.78 -0.49
Wellington		NZSE-40		2,229.85	2,229.55 +0.41
Bombay		Sensitive Index		4,822.28	4,869.79 -1.17

million yen a year earlier as sales dropped 3.4 percent, to 86.75 billion yen. Analysts said the company was hit by slack consumer spending.

• Philippine car sales fell 51 percent in April, to 3,075 vehicles, as the economy slowed and high interest rates and the falling peso slashed demand.

## Daewoo Planning \$7 Billion Restructuring

Compiled by Our Staff From Dispatches

**SEOUL** — South Korea's third-largest business group, Daewoo Group, said Friday that it would reduce its 37 subsidiaries to 20 and raise \$7 billion in foreign funds by 2000 for restructuring.

Following four other big South Korean conglomerates, Daewoo unveiled its restructuring plan, vowing to concentrate on automobile, electronics, heavy industry and telecommunications.

It also said it would reduce the debt-equity ratio of its manufacturing sector from 413.8 percent at the end of 1997 to 183.8 percent by the end of this year through selloffs, including its most prized assets.

Separately, Credit Suisse First Boston confirmed that it is considering whether to help Dong-Ah Group, South Korea's 10th-largest industrial group, raise \$500 million and avoid bankruptcy.

(AFP, Bloomberg)

## An Economist's Spat in China

Compiled by Our Staff From Dispatches

**BEIJING** — An economist with the People's Bank of China has denied writing a biting paper on China's economic prospects that was delivered in his name at a conference in Australia, a central bank spokesman said Friday.

The paper, which was delivered at a conference at Australian National University this week, was attributed to Yi Gang, chief economist of the People's Bank of China.

It warned of a grave impact from the Asian financial crisis that would put pressure on China to devalue its currency this year. But the central bank spokesman said Mr. Yi had denied writing the paper.

An Australian academic who had been listed as co-author of the paper said Friday that he had written it himself. "The views are mine alone," said Song Li-gang of Australian National University.

Mr. Song said he had incorporated some of the central bank economist's research in compiling the paper. (AFP, Reuters)

## G-7: Optimism Voiced on Asia

Continued from Page 9

aging director, Michel Camdessus, floated two proposals for improving the political legitimacy of the fund, which has been criticized in the U.S. Congress as a remote and technocratic bureaucracy, and the Group of Seven itself.

In a speech here, Mr. Camdessus said the fund's consultative interim committee should be transformed into a council with decision-making powers, a move that would enhance the IMF role played by politicians. He also urged the G-7 and Russia to meet every other year with 16 other countries that hold seats on the executive boards of the IMF and World Bank.

Ministers deliberately played down expectations for the current meeting, if only to ensure that President Bill Clinton, Prime Minister Tony Blair and other heads of government will have some results to trumpet when they gather for their annual summit meeting in Birmingham, England, next weekend.

At Mr. Blair's initiative, the leaders are meeting separately from their senior ministers for the first time this year in an attempt to restore some of the informal atmosphere of the meetings when they were begun in the 1970s.

Separately, Mr. Rubin moderated his recent criticism of Japan's economic

policies in a meeting with Finance Minister Hikaru Matsunaga. He said he shared Japan's concern that the weakness of the yen could widen Japan's trade surplus with the United States, and he welcomed as important the package of tax cuts and public works projects approved by the government last month.

But Mr. Rubin added that Japan needed to carry out the fiscal package "quickly and effectively," and he renewed U.S. calls for Tokyo to accelerate banking reforms and the deregulation of product markets.

Mr. Matsunaga said Japan would take steps to strengthen the yen, and the comments helped push the dollar down by half a yen on Friday, to 132.83 in late New York trading.

But many currency analysts remained skeptical toward the yen, given disappointment with past Japanese stimulus packages, and given the drop in the American unemployment rate to 4.3 percent Friday, which fueled speculation about a rise in U.S. interest rates that could support the dollar.

The Group of Seven includes the United States, Japan, Britain, Germany, France, Italy and Canada. Ministers from Russia will join the meeting Saturday for discussions about employment policy.

## UNIONS: German Connection

Continued from Page 9

situation for everybody "if certain things happened regarding the UAW and the new corporation."

Daimler is not an unknown quantity to the UAW. The union represents workers at Daimler's Freightliner heavy-duty truck plant in Mount Holly, North Carolina, and the International Association of Machinists represents manufacturing workers at the company's headquarters in Portland, Oregon.

But the UAW's relationship with IG Metall goes back much further. The two groups have worked closely together since the end of World War II. Last February, for example, the UAW sponsored a Washington seminar with top leaders of both unions to explore the U.S. economic model and how it might be applied to the German economic system.

"We have personal relationships that are very well established," Mr. Stalman said. "As you look out ahead, you do not have a desire to cut costs and lay off workers. We're not looking in the near term at workers being pitted one against the other."

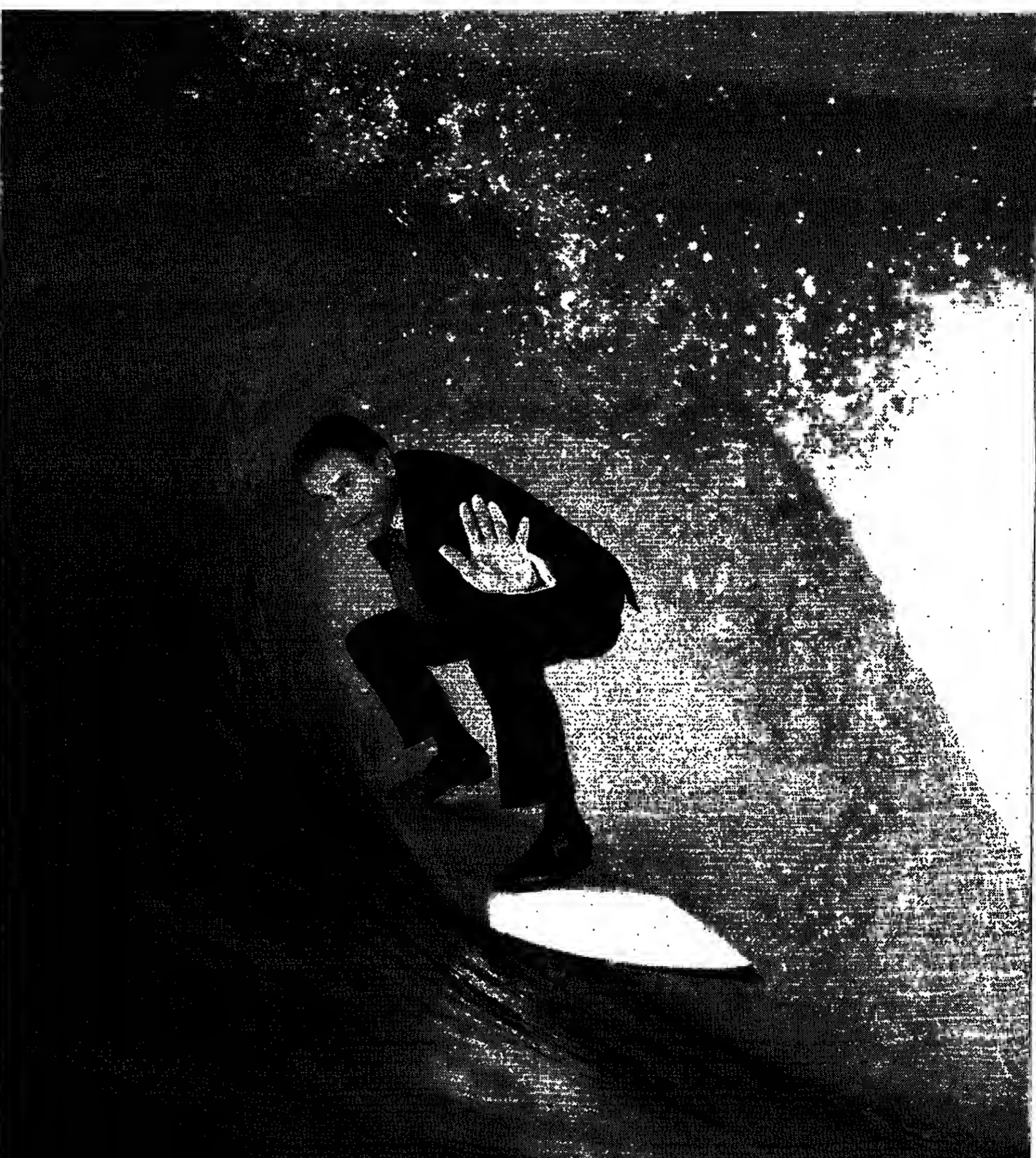
But even if things do not work out, one top UAW official predicted the union

### Shareholders File Suit

Chrysler Corp. shareholders on Friday sued to block Daimler-Benz AG's acquisition of the U.S.'s third-largest automaker, saying Chrysler officials should have solicited other bids for the company, Bloomberg News reported from Wilmington, Delaware.

Dinah Friedman and the Maryland Linotype Composition Co., both Chrysler stockholders, filed suit in Delaware Chancery Court in Wilmington, arguing Chrysler executives did not maximize shareholders' investment because the company did not open itself up for bids before it was sold. The suit does not specify how many shares Ms. Friedman and the company own.

"Given that Daimler-Chrysler will be a German entity, Chrysler shareholders are effectively surrendering the right under law to a proper process designed to obtain the best price reasonably available" for the company, the suit said.



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The 1,000 most traded National Market securities  
in terms of dollar value, updated twice a year.  
The Associated Press.

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By Aline Sullivan

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is a green light, which could lead to a series of well worth going for in the North-western United States. Another potential target is the Trans World Air Lines Airlines Corp., via Express Airline Inc and the West Hawaiian Corp. The sufficient time for other companies are anxious to get the subsidiaries, Mex-Sky is the president in the corporate for the Management Group in Washington, D.C.

"Brush Motor is a smart manager and a developed strategy," he said. "But it still has a lot to do to be a take-over target. Comedy." He also identified the Hawaiian Airways, and related to Ryan Air as potential acquisition.

Dr. Stephen Keim, transport analyst Standard & Poor's Corp. in New York cautioned that buying shares in an airline in anticipation of a sale could prove disappointing. "The big airlines wouldn't stand a chance of allowing up the little ones in the regulatory environment," he said. "The government is marketing themselves in the private as seamless uniting."

Jim Pickens is consultant at Greenbaum & Rose Associates in Connecticut, and added that labor considerations would make significant airline mergers difficult in the current climate.

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E-mail address: moneyrep@hlt.com

## Staying Put To Go Far in Travel Sector

As Takeovers Flourish, Niches Provide Clues To Deals in the Making

By Aline Sullivan

**S**POTTING the next takeover target in the travel and transport industry has more to do with timing and strategy than with luck. The secret is to home in on companies that are exploiting a niche and have the management discipline to stick to it, analysts and fund managers said. Buy the shares, then sit back and wait.

Anyone looking for clues could do worse than follow the moves of Budget Group Inc., owner of Budget Rent a Car, the world's third-largest car and truck rental company. Budget Group recently took over the Arizona-based Cruise America Inc. in a deal worth \$138 million in stock and assumed debt. Analysts were generally bullish about the deal, predicting that Budget was well placed to continue expanding.

Also attractive to many analysts is the German shipping group Hapag-Lloyd AG, which was itself acquired last year by Preussag AG and has been expanding since. It announced last week that it will spend 3 million Deutsche marks (\$1.7 million) over the next five years on its core tourism and container shipping businesses. Plans include expanding its charter airline and travel agency businesses — it plans to acquire a majority stake in the German tour operator Touristik Union International — and investing in freight forwarding.

The airline industry holds a perverse attraction for many speculative investors, probably because of the great sums involved in making jets fly. Kevin Murphy, airline analyst at Morgan Stanley & Co. in New York, said he thought the industry was approaching "the final leg" of consolidation.

"The process will probably take another three years to play out and will be of benefit to everyone, particularly shareholders in some of the acquired companies," he said.

Murphy identified Alaska Air Group, the parent company of Alaska Airlines Inc. and Horizon Air Industries Inc., as the most appealing of the smaller U.S. carriers.

"It is a great company, which could make it on its own but is also well worth taking over, particularly by Northwest Continental," he said. Other potential takeover targets include Trans World Airlines Inc., Midwest Airlines Corp., Midwest Express Holdings Inc. and AirTran West Holdings Corp., he said.

Some of the British charter companies are also attractive takeover candidates, said Mark Shields, vice president in the aviation practice at Mercer Management Consulting in Washington, D.C.

"British Midland has smart management and a disciplined strategy," he said. "But it still is a small carrier and could be a takeover target someday."

He also identified Britannia Airways, parent and Ireland's Ryan Air as potential acquisitions.

But Stephen Klein, transport analyst at Standard & Poor's Corp. in New York, cautioned that buying shares in small airlines in anticipation of a takeover bid could prove disappointing.

"The big airlines wouldn't stand a chance of swallowing up the little ones in today's regulatory environment," he said. "They are better off marketing themselves and their partners as seamless entities."

Hans Pickert, a consultant at Greenwich Aviation Advisors in Connecticut, agreed and added that labor considerations would make significant airline mergers unlikely in the current climate.

Continued on Page 17

## High (Tech) Stakes: Buying What the Big Guys Buy

By Conrad de Aenlle

**I**F A SMALL high-technology company is good enough for Microsoft Corp., Intel Corp. or one of the other giants of the industry to invest in, it should be good enough for you, right? It depends on which company is buying and with what intentions.

The technology sector comprises a number of high-growth industries, and the acquisition of stakes in smaller companies fuels that growth, helping to develop new and better products and expand the marketplace in which the large companies do business.

Intel and Microsoft are among the largest private-equity investors in technology today," said Jim Davidson, managing director of technology investment banking at Hambrecht & Quist in San Francisco. "They have huge franchises that are central to what's happening in the personal-computer industry, broadly defined."

"They have the same pressure as anyone else to grow their businesses," he added. "What they've been very aggressive about is finding complementary technology to invest in to enhance existing franchises."

Intel, the leading producer of sophisticated varieties of semiconductor chips, shops around for companies that make software which requires a big wad of processing power — meaning more Intel chips — such as graphics and communications programs. Mr. Davidson said. Microsoft, likewise, invests in firms that produce software applications which can be tacked onto the Windows operating system, Microsoft's core product, and thus make it more marketable.

Investment tends to be in the United States, the hub of the world's high-tech industries. Increasingly, though, Intel is investing in Europe, where share valuations have not been as excessive, at least until the last few months, and there is less venture-capital money chasing the next hot technology firm.

Investor response typically is favorable when one of the industry leaders buys into a small company. The rationale, Mr. Davidson said, is that "these are smart companies, their tech-



Microsoft's stakes:

Apple Computer Inc.

CNET Inc.

Santa Cruz Operation Inc.

Ms. Buyer said. "Some are comforted, others on edge."

Microsoft is thought to have entered into one peculiar alliance with the intention of propping up a rival. Shares in Apple Computer Inc. shot up last August on the announcement that Microsoft would invest \$150 million in the flagging maker of personal computers whose Macintosh operating system competes with Windows. Some analysts saw the deal as an attempt by Microsoft to keep U.S. government trustbusters at bay. The philosophy seemed to be: If you can beat 'em, join 'em.

Apple cannot seem to beat anybody these days. A recent issue of DEMO-Letter, a newsletter about the software industry, suggested that Apple devote resources to companies that might develop application software for Macintosh systems. This is imperative, the letter argued, because if Apple does not do this, no one else will.

"No venture capitalist that I can find is funding Mac-focused software ventures, leaving Apple to act as the venture capitalist, carefully selecting companies that will leverage the Mac and Apple into well-targeted markets," it said.

While Intel's motives generally are regarded as similar to Apple's — but driven less by desperation — and more benign than Microsoft's, Mr. Davidson said that the world's leading chipmaker is not always innocent. He cited Intel's 1992 purchase of a 20 percent stake in VLSI Technology Inc., which makes chip sets, a small collection of chips that control microprocessor memories and other key personal-computer systems.

Chip sets are "necessary but not highly valued," Mr. Davidson said. "Intel invested to help VLSI expand its chip-set business, then Intel got into the business." VLSI's stock did well soon after Intel's investment, then fell after its larger partner usurped its niche.

A more felicitous result occurred after Intel bought Chips & Technologies Inc., a maker of graphics chips, in February. "That worked out great for shareholders," Mr. Davidson said. Intel's offer of \$17.50 a share was a 25 percent premium over Chips & Tech-



Intel's investments:

VLSI Technology Inc.

Chips & Technologies Inc.

Wholly owned

nologies' market price at the time.

"As a general rule, what people in the investment business think is that Microsoft and Intel are the most wonderful partners you can have and the most dangerous partners you can have," Mr. Davidson said. "At some point do they acquire the core competencies to compete? Technology is a unique animal."

So are the entrepreneurs who start tech companies. For them, the reasons to sell out can be more compelling than the reasons for buying on the coattails of a larger company that takes a strategic stake.

"A lot of small companies have one or two contracts and can't get any more because people are afraid they won't have enough capacity," said Carl Wilk, who manages the Munder Micro-Cap mutual fund.

Having a large partner eliminates much of the concern. A deep-pocketed investor can also provide resources for corporate expansion that would otherwise be hard to come by.

A third reason, reflecting the mercenary nature of high technology, is that "when you get a small guy starting a shop, he's trying to create technology so he can sell out and make a quick buck," Mr. Wilk said.

"Unless it's really something new, the big boys are going to do it," he added. Cisco Systems Inc., for instance, "buys the technology, then cashes out management," he said. "They take their money and go on vacation or else start over."

If investing in a company with a large partner is a risky proposition, finding the next company to attract the interest of an industry leader is no more of a certainty.

"The only way I've been successful on acquisitions is to make sure I had a player with dominant technology in a new area," Mr. Wilk said. Referring to prospective buyers such as Microsoft, Cisco and 3Com Corp., he added, "It costs them a lot less to buy than to have their programmers sit there and try to create it."

One area where such technology is to be found, he said, is cable television, which "at least in the U.S. and somewhat internationally is starting to explode."

"There's been a new wave of capital-spending as not only cable companies but other kinds want to build out in the cable bandwidth," Mr. Wilk said.

Another industry in which small companies could be targeted, he said, is wireless communications, especially in Europe, where deregulation is accelerating. He said that the easiest way for companies to expand in telecommunications was to establish wireless networks.

"Lucent and Ericsson may start buying wireless companies to grow business faster," he added, referring to Lucent Technologies Inc. and LM Ericsson AB.

Ms. Buyer said American Internet stocks could attract large partners, as well.

"It's unclear yet whether the big media companies are going to buy or build," he said. "But if they take a stake, it begs the question: Why are they not buying the whole thing?"

## Coke Investors Seeking More Fizz Find a Message in the Bottle

By Ann Brocklehurst



**I**NVESTMENT analysts love soft-drink stocks because they believe the world has an almost unquenchable thirst for fizzy soda. Just about the only thing they find difficult to swallow about Coca-Cola Co., the undisputed global soft-drink leader, is its current price-to-earnings ratio of 48.

The high multiple has caused the analysts to switch from the Real Thing to the Next Best Thing: bottlers.

Listed on stock markets around the world and often traded in American depositary receipts on the New York stock exchange, Coke's bottlers provide regional plays on soft drinks.

By far the biggest and best known is Coca-Cola Enterprises Inc., in which Coca-Cola holds a 44 percent stake. Its shares more than doubled in value in 1997, to \$33.5625 on Dec. 31 from \$15.875 on Jan. 2, as it rapidly expanded the territory it covers in the United States and abroad.

Last month, Coca-Cola Enterprises announced plans to buy Coca South-west, the fifth-largest U.S. Coke bottler, for \$1.1 billion. CCE shares traded late Friday at \$36.60.

Coca-Cola Enterprises' spectacular success has helped to pique interest in other so-called anchor bottling businesses, including Coca-Cola Beverages PLC, a newly created company that is scheduled to be listed on the London

Stock Exchange in June. Coca-Cola Beverages will take over control of the East European and Central European bottling operations from Coca-Cola Amatil Ltd., which is based in Sydney and will now operate exclusively in the Asia-Pacific region.

Investors who want to play Europe's emerging markets will no longer be exposed to the Asian markets. The Asian collapse last year was largely responsible for the drop in Amatil's share price to 12.20 Australian dollars late Friday (\$7.70), down from 17.20 dollars at the end of last June.

The creation of Coca-Cola Beverages, in which the Atlanta-based parent will hold about a 50 percent stake, is the latest move in Coke's decade-long consolidation of its bottlers.

By selling their concentrates and beverage bases to bottlers who produce and distribute the drinks, Coke — and, to a lesser extent, PepsiCo Inc. — minimized their capital investment in land, buildings, machinery, equipment, trucks, bottles and cases. Typically, the parents retain a large minority stake in the bottlers and provide them with less costly services such as management and marketing advice and assistance in quality control.

The products that the Coke affiliates sell differ slightly from market to market. In some regions the companies even have agreements to distribute products that arguably are competitors of Coca-Cola, such as Perrier and Evian mineral

waters and Nestle iced tea.

Caroline Levy, an analyst with Schroder & Co. in New York and a Coke booster, says the policy of creating anchor bottlers has been a win-win situation for owners of the affiliates' stocks.

"If the companies aren't top-notch, they get taken over," she said, citing Coca-Cola Beverages Ltd. of Canada, which Coca-Cola Enterprises acquired in September 1997. "So the shareholders win," she said. "And if the bottlers are good, they grow."

But in a recent CIBC Oppenheimer report initiating coverage of the anchor bottling businesses of Coca-Cola and PepsiCo, an analyst, Ray Barry, wrote that, with the exception of Coca-Cola Enterprises, most of the bottlers have reported lackluster results to date.

"Economies of scale have not been adequate; capital costs associated with the purchase of new territories, infrastructure building and product image creation have limited performance," he wrote.

"However, many of those factors formerly limiting individual company results, and therefore, stock prices, may either disappear or reverse in the near term," he added.

He now concludes that with the necessary capital invested, lessons learned from past mistakes and regional bottlers finally poised to take advantage of economies of scale, "the international car-

Continued on Page 17

## Reaping the Profits of Expert Error in the Realm of the Contrarian King

**I**N FEBRUARY 1970, more than 2,000 top money managers gathered for the Institutional Investors Conference in New York. They were asked what stock they thought would be the best performer for the year ahead. The consensus choice was National Student Marketing Corp., a high-flier that was then trading at \$140 a share. By July, it had collapsed to \$7; not much later, it was out of business.

I first read this anecdote 19 years ago in a book by David Dreman, "Contrarian Investment Strategy." I was a contrarian investor myself, and I was intrigued by a contrarianism, a style of investing that finds what the experts are doing and then does the opposite.

Mr. Dreman is the king of the contrarians, and over the past 20 years much research has supported his original contentions. For example, it is now undeniable that stocks with low price-to-earnings ratios — in other words, stocks that investors are shunning — do better than stocks with high P/E's. Ditto, stocks with low price-to-sales ratios, or stocks with high dividend yields — all signs of value.

Mr. Dreman put his principles to

work managing the money of wealthy investors and pension funds. Then, 10 years ago, he started a fund that he recently sold to Kemper. It is now called Kemper-Dreman High-Return, and it has returned an annual average of 32.8 percent over the past three years and 22.8 percent over the past five — compared with 31.7 percent and 23.6 percent, respectively, for the Standard & Poor's 500-stock index. That is impressive, considering that the fund is 24 percent less risky (by one measurement) than the S&P.

In the contrarian style, Mr. Dreman's portfolio is heavily weighted toward tobacco stocks (Philip Morris Cos. is his top holding and UST Inc., a maker of snuff, is second) and energy stocks (Atlantic Richfield Co. is third). His fund is also highly concentrated — just 50 stocks, with more than a quarter of the assets in the first six — and has low turnover (just 12 percent annually, meaning that he holds the typical stock for eight years).

Mr. Dreman's new book, "Contrarian Investment Strategies: The Next Generation," which is about to be published, updates the tales and figures in

the earlier books; but also makes an important new contribution. Mr. Dreman has come up with a novel way to analyze risk, which is the great misunderstood variable in investing.

Risk, in financial terms, is at best defined as volatility. There are at least two ways to quantify volatility — beta coefficients, which compare the stock's ups and downs to those of the market as a whole, or standard deviation, which tracks the stock's consistency against its own track record.

But Mr. Dreman argues that beta and standard deviation are crude tools. "A realistic definition of risk," he writes, "recognizes the potential loss of capital through inflation and taxes." Such a criterion would "tell us the probabilities that we will both maintain our purchasing power and do better than alternative investments for the period we choose." He argues that a better way to measure risk is not simply to look at gyrations, but also at the chances of losing purchasing power and the chances of losing ground to bonds and

money-market funds or Treasury bills by buying stocks.

With original research, Mr. Dreman has come up with some startling results, which he lays out in great detail in his book. For example, if you hold a diversified stock portfolio for 10 years, the probability is 76 percent that you will get a return that is at least half the return of the overall market — or at least 53 percent, after inflation. He

compares these results with the returns for a bond or T-bill portfolio. On average, bonds produce a total return of 9 percent (again, after inflation) and T-bills, 4 percent, over five years.

So the chances are better than three out of four that you will get a return over 10 years that is half the average market return. But half of the market return for stocks is still nearly six times greater than the full market return for bonds!

Mr. Dreman also analyzes stock, bond and T-bill investments after taxes. The results are even more stunning. "Using this analysis of risk in the postwar period, stocks are the least risky

investments over time," he concludes. "If you are in your thirties, for example, and have a goal of retiring at 65, you should buy blue-chip stocks because you have a 100 percent chance of both preserving and enhancing your capital, as well as outperforming bonds and T-bills."

That's not all. The odds, he writes, "are still overwhelming at 15 years and reasonably good at four or five years." "From a risk perspective," he says, "bonds and T-bills give you increasingly short odds after only a few years. They are not the investments you want to build your future upon."

So build your future on stocks — especially on contrarian stocks. But which ones?

"Seattle Film Works," writes Rex Takasugi in his newsletter Technical Disciplines. "The stock was certainly overvalued at its high of \$28.50, but has fallen about 72 percent in the last two years." Return on equity is "excellent," and the company has \$15 million in cash and long-term securities, he writes.

Another contrarian play is Southwest Airlines Co., the low-cost carrier, which Dow Theory Forecasts rates "a top buy." Shares have fallen 20 percent

since mid-March, and Southwest's P/E ratio is 17 — fairly modest for a company whose profits are up about 50 percent over last year.

Timothy Vick, who edits Today's Value Investor, is fond of Humana Inc., the huge managed-care provider, "as a turnaround candidate in a rebounding health-care field." At a P/E of 24, the stock does not seem cheap, but its price/sales ratio is a mere 0.6 (below 1.0 is attractive), and earnings should be up 40 percent for the 12 months ended in July.

As for contrarian mutual funds, I have long been an admirer of Green-spring. It is heavily weighted toward financial stocks, including Crestar Financial Corp. and Long Beach Financial Corp., but also owns some interesting high-techs, including Barringer Technologies Inc., which makes sensitive security equipment that can identify explosives and which trades at a P/E of just 9. Another large holding is Griffon Corp., which makes specialty plastic films for products ranging from disposable diapers to radar systems.

So get the book, and get the stocks. Washington Post Service



## THE MONEY REPORT

## \* 'Bad Companies' Rub Off on a Turnaround Artist

By Ann Brocklehurst

**T**HE SEMI-TECH GROUP used to make a living by buying stakes in what its founder and chief executive, James Ting, called "bad companies." The idea was to turn them around and improve the share prices of both the revitalized businesses and the Semi-Tech holding group.

Although this strategy involved taking on considerable debt, it was successful — until the Mexican and Asian currency crises wreaked havoc in the company's key markets.

Somewhat ironically, it is now the two publicly traded Semi-Tech companies that find themselves labeled "bad." Over the past year, most of the equities analysts who used to follow Semi-Tech (Global) Co., a multinational manufacturer and distributor of consumer electronic products based in Hong Kong, and its main shareholder, Semi-Tech Corp. of Toronto, have given up on them.

Semi-Tech stock prices have collapsed and the holding company's bonds are considered junk. The only reports now written on the Semi-Tech group are produced by a band of bond-raters betting on whether the holding company will be able to restructure

itself and make the first interest payments due on its \$654 million face-value debt in 2001.

John Wegmann, a vice president at Dabney Flanigan, a Los Angeles investment boutique specializing in distressed companies, sees Semi-Tech Corp., whose bonds have a market value of \$220 million and currently yield about 35 percent, as a strong speculative buy. He said the bonds offered investors the possibility of "stratospheric returns, which will allow you to retire much sooner than your friends."

Al Alaimo, a vice president in the Chicago office of BancAmerica Robertson Stephens, rated the bonds "unattractive" in his latest report. He said he did not expect to see an interest payment in 2001.

Semi-Tech, which began life as a small computer manufacturer called International Semi-Tech Microelectronics, shifted focus when Mr. Ting decided to use it as a vehicle to acquire other companies. He did so with minimal assets, borrowing heavily, and Semi-Tech and its various holding companies also used equity issues and private placements to obtain funds.

Semi-Tech Corp.'s problems began in 1994, when its "A" shares traded at about

\$13, compared to 49 cents late Friday.

Semi-Tech Global's turnaround of the Singer NV sewing-machine company, which is 50 percent owned by Semi-Tech Corp., was seen as a model for its corporate strategy of acquiring underperforming companies and boosting their profits.

But then the Mexican crisis hit and Singer was badly hurt. Although 40 percent to 50 percent of Singer's sales came from Europe and North America, more than 90 percent of its operating income was derived from Latin America and Asia. The problem that began in Mexico spread to Brazil and then, last year, to Asia. In

1997, Singer reported a loss of \$238 million, of which \$215 million was due to restructuring and other nonrecurring charges.

While Singer has said it expects to be profitable in 1998, Mr. Alaimo wrote recently that he found this prediction to be "optimistic in light of the company's deteriorating operating trends and its heavy interest burden."

He also thinks the Singer stock, which secures the Semi-Tech bonds and has a current market valuation of \$550 million, may, in fact, have no inherent value.

But Mr. Wegmann not only expects Singer to return to profitability this year,

he finds the stock underpriced. Using a method of calculation that compares its enterprise value, or the sum of debt and equity outstanding, to its sales, he comes up with a ratio of 1.25. He argues that this represents a 23 percent premium over other companies in the same business.

Semi-Tech Corp.'s other major holding is its 42 percent stake in Semi-Tech Global, whose business prospects are difficult to calculate even at the best of times, according to Blaise Ganguin, a fixed-income analyst at S & P Ratings Services in Toronto.

Among other things, Semi-Tech Global owns 66 percent of Japan's Akai Electric Co., which is listed in Tokyo and, in turn, owns 100 percent of Kong Wah Holdings and 100 percent of Semi-Tech Europe Ltd. Semi-Tech Global's operating affiliates include Tomei International (Holdings) Ltd., which is owned 15.7 percent through Sansui Electric Co. and 44.1 percent through Kong Wah, and Sansui, which is 42 percent owned through Akai.

Mr. Ganguin said Semi-Tech Global seemed to have made some progress in revitalizing the Akai brand name, which had all but disappeared from shelves. The company also has \$200 million to \$300 million in cash following the recent sale of certain Chinese operations.

## BRIEF CASE

## World's New Rich Grow Richer than the Old Rich

Economic turmoil in Asia is having remarkably little impact on many of the region's rich. Indeed, Asians will account for \$4.8 trillion, or 21 percent, of the total wealth held by individuals with investable assets of more than \$1 million by the year 2000, up from \$3.2 trillion last year.

That is one of the predictions of the second annual World Wealth Report, published by Gemini Consulting in London and Merrill Lynch International Private Banking Group. It found that the wealth of high-net-worth individuals jumped 5 percent last year to reach \$17.4 trillion and is on target to climb a further 10 percent annually to \$23.2 trillion by 2000.

"Developed and emerging economies alike are bearding embracing capitalism, entrepreneurship and free trade, which in turn are creating new businesses, markets and wealthy individuals," the report said. "While Europeans and North Americans still account for the lion's share of the high-net-worth individual market — 59 percent — they are slowing losing ground to the new wealth in rapidly developing Asian and Latin American economies."

Much of this new prosperity appears to be passing Africa by, however. The continent accounts for 11 percent of the world's population but will represent just 2 percent of the high-net-worth individual market at the beginning of the new century.

The report found that in many countries there exists a striking trend toward onshore and away from offshore investments, even in Europe and Latin America, where investors traditionally are conservative. Assets that they used to maintain outside their home country are being kept onshore, thanks to the efforts of their governments to establish favorable regulatory and tax environments.

"Strong local economic growth in many areas has boosted the number of wealthy onshore entrepreneurs, and more and more of these high-net-worth individuals are deciding to keep their wealth at home," the report said.

That is good news for those countries but not so great for Switzerland, Luxembourg and other offshore locations, which together still hold a third of the assets of the world's high-net-worth individuals.

The investment choices of the rich also are changing. Traditional lower-yield, lower-risk investments in bank deposits and bonds are falling from favor while equities are growing in popularity. That is not surprising, considering that returns on long-dated government debt in the Group of Seven leading industrialized economies has

dropped to just 6 percent from more than 10 percent in the past eight years, while the total return from the global equity markets has shot up almost 250 percent over the same period. (IHT)

THE WORLD WEALTH REPORT 1998, which was published in April, can be obtained from Gemini Consulting. Telephone: 111 340 0000, fax: 111 340 0000.

## For Vancouver Investors, Rained-Out Condo Deals?

Owners of leaky condominiums in Vancouver, British Columbia, expect to hear by the end of this month what the Canadian province's government thinks they should do about their soggy investments.

It is estimated that at least half of the 800 large condominiums built in the past decade are unsuitable for the city's rainy climate and that the cost of repairing the leaks could exceed 1 billion Canadian dollars (\$714 million). Many of the condos were sold to Hong Kong residents seeking to invest outside the territory before the handover to China last year.

At a public hearing, condominium owners complained of rotting building structures, walls and carpets. Owners who have tried to sue for repairs have had little success because many of the builders and developers dissolved their companies after each project and began anew under different names.

While the provincial government has already ruled out compensation, Premier Glen Clark has suggested that it might help owners initiate legal proceedings to recover their losses, which have topped \$150,000 for some individuals. The government also is expected to recommend the tightening up of residential construction laws.

In an editorial on the subject, the Globe & Mail newspaper of Toronto said that all parties involved in the various condominium ventures must accept a share of the blame. It said the building industry failed to police itself; public building codes were out of date and poorly enforced; lenders gave mortgages without sufficient checking and buyers failed to demand top-quality, independent inspections. (IHT)

## The Missing Stock

Despite our best efforts, the Quarterly Scoreboard in the May 2-3 issue of The Money Report was missing the name of a recommended stock, although all of the performance data for that stock was listed. The missing stock is Telecom Italia SpA; a full listing follows.

P.S. The recommendation was spot on.

Telecom Italia SpA  
Ticker: TI  
Country: Italy  
Sector: Telecommunications  
By: Richard Wors, S&P Global Asset Management  
Producer: Ray, undervalued  
Issue: Jan. 24  
Price: 12,300.00  
Price April 24: 11,612.00  
P/E: 15.00

## The Next Best Thing Is Bottling the 'Real Thing'

Continued from Page 15

bonated soft-drink bottling business operates in one of the most favorable environments of any major industry in the world."

The world's increasingly affluent consumers hanker after soft drinks for a variety of reasons.

In Mexico, soda is especially popular due to the poor quality of the water supply. In Indonesia, where much of the population is Muslim and does not drink alcohol, soft drinks often replace beer for recreational drinking.

In other countries, drinking a brand-name soft drink is simply an affordable status symbol.

**M**R. BURRY suggested that investors interested in regional bottling affiliates limit their risk by buying a portfolio that includes at least three bottlers.

"This approach," he said, "is crucial to the investor's effort to take advantage of the increasingly positive anchor-bottler industry fundamentals while, at the same time, avoiding the potential major pitfalls of emerging-market investing."

Mr. Burry has assembled a group of

seven bottlers that, he says, will together outperform the market. He has further singled out as "strong buys" a portfolio of three companies that he expects to beat the group.

His top picks are:

• Panamerican Beverages Inc., a Coca-Cola bottler operating in Brazil, Colombia, Costa Rica, part of Mexico, Nicaragua and Venezuela;

• Pepsi-Gemex SA de CV, the leading bottler for Pepsi in Mexico; and

• Whitman Corp., PepsiCo's largest independent bottler, whose territories include the U.S. Midwest and regions of Poland and Russia.

Mr. Burry has a target share price of \$43 for Panamco compared to current levels of \$36.50; \$17 for Pepsi-Gemex, compared to \$13.50 and \$21.00 for Whitman Corp., compared to \$19.28.

The four remaining companies in the CIBC Oppenheimer bottlers group are Coca-Cola Enterprises, Coca-Cola Amatil, Pepsi-Cola Puerto Rico Bottling Co. and Coca-Cola Femsa SA, which produces and distributes soft drinks for Mexico and Argentina. All members of Mr. Burry's group are listed on the New York Stock Exchange.

Kathleen Heaney, an analyst at BT

Alex Brown, shares Mr. Burry's enthusiasm for Panamco, the largest soft-drink bottler in Latin America. She believes that the acquisition of Venezuelan plants and the inclusion of that country in its territory will help Panamco boost this year's earnings by 25 percent.

**A**LSO KEEN on Panamco is Laura Keizer of Salomon Smith Barney, who rates it as a "medium-risk strong buy." She noted that its presence in six countries makes it diversified and that its operating history in each of the six countries goes back at least 50 years, helping to mitigate risk.

Ms. Keizer also likes Pepsi-Gemex, which she describes as "in the midst of a turnaround." She added that its volumes had risen sharply this year, mainly as a result of its attempts to develop better relationships with its retailers.

Although Ms. Keizer acknowledges that Coca-Cola Femsa has had a two-year head start, she sees more than enough room for two strong players in the growing Mexican market.

The bubbly view is certainly sup-

ported by Coke's recently published 1997 annual report, which notes that sales of Coca-Cola products have now reached more than a billion servings per day with per capita levels in the United States just over one serving a day.

But Coke's chief executive, Douglas Ivester, thinks there is still plenty of room for expansion.

On the same day that his company had its first billion-serving day, he wrote to shareholders, the world also drank some "47 billion servings of other beverages — which means we have plenty of opportunity still ahead."

Shares of the bottlers mentioned in this article are traded on the following stock exchanges:

COCA-COLA AMATIL LTD. common shares trade on the Sydney Stock Exchange (ASX). The company's American depositary receipts (CDRs) trade on the New York Stock Exchange.

COCA-COLA ENTERPRISES INC. (CCE), PANAMERICAN BEVERAGES INC. (PBI), WHITMAN CORP. (WHI) and PEPSI-COLA PUERTO RICO BOTTLING CO. (PCB) common shares trade on the New York Stock Exchange.

COCA-COLA FEMSA SA American depositary receipts (CDRs) trade on the New York Stock Exchange.

PEPSI-GEMEX SA DE CV global depositary receipts (GDRs) trade on the New York Stock Exchange.

COCA-COLA BEVERAGES PLC common shares will be listed on the London Stock Exchange in June.

## Travel Sector Niches

Continued from Page 15

Ever marketing agreements are attracting unwelcome attention lately. Governments on both sides of the Atlantic have pledged to investigate consumer complaints that giant alliances are encouraging rising fares and declining competition.

In the United States, the debate was fanned last week by the announcement that United Airlines, the country's largest carrier, and Delta Air Lines, the third-largest, will link their route systems and frequent-flyer programs. Similar agreements exist between Northwest Airlines and Continental Airlines and between African Airlines and US Airways.

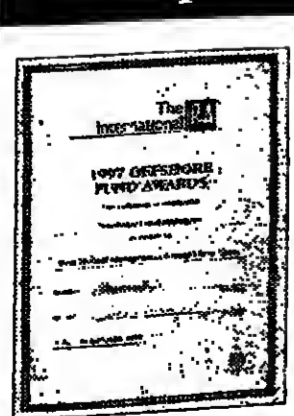
Complaints about links between tour operators and travel agents are sounding loud in Britain, where consumers argue that a spate of mergers and acquisitions has made the relationship between the two services all too cozy, the traveler's expense.

Hotels are a safer bet for speculative investors, some analysts said. In the United States alone, hotel industry mergers and acquisitions totaled \$32.2 billion in just the first quarter, according to

Coopers & Lybrand's Lodging Research Network. That is a record and more than three times the \$8 billion total reached last year.

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Further information: Websites with North Star prices/performance: www.ft.com www.lipperweb.com www.micropal.com www.ihf.com

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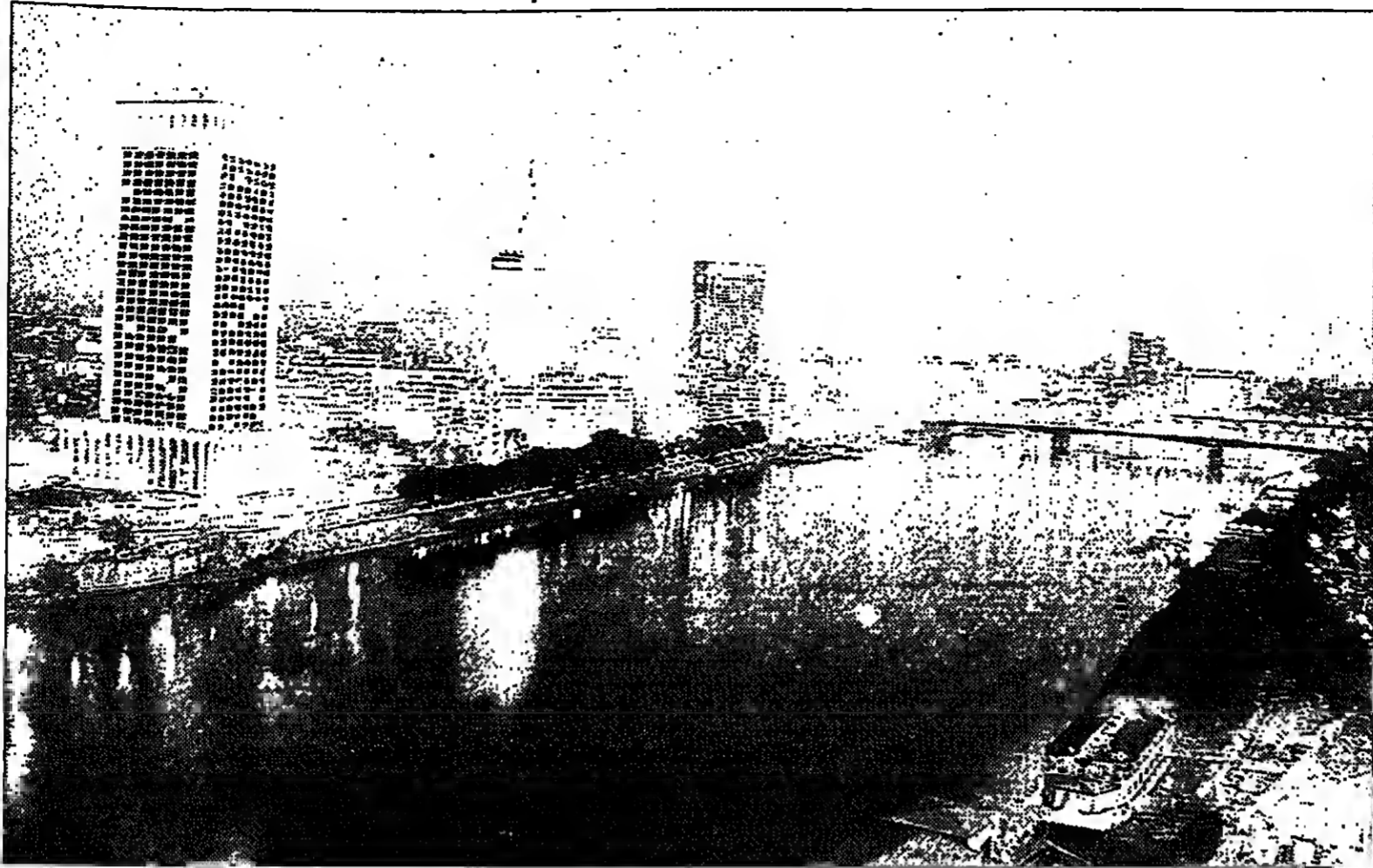
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هكذا من الأصل

# EGYPT: THE STABILITY DIVIDEND

Egypt's profile is taking on new light as economic indicators improve. The budget deficit has shrunk from 24 percent of gross domestic product to 1.5 percent, a dramatic turnaround in keeping with the new climate of reforms, privatization and liberalization of the economy.



## EGYPT IN FIGURES

OFFICIAL NAME: Arab Republic of Egypt  
POPULATION: 62 million  
CAPITAL: Cairo  
AREA: 1 million square kilometers (5.5 percent populated)  
LANGUAGE: Arabic, with English widely spoken  
RELIGION: Islam  
CURRENCY: One Egyptian pound = \$3.39  
1998 ESTIMATED GDP: \$82.6 billion  
1998 ESTIMATED GDP PER CAPITA: \$1,332  
1998 ESTIMATED GDP GROWTH: 5.2 percent  
INFLATION (YEAR TO JANUARY 1998): 3.8 percent  
TRADE DEFICIT (1997): \$9.29 billion  
LABOR FORCE: 17 million  
1998 ESTIMATED UNEMPLOYMENT: 10 percent  
1997 EQUITY MARKET RETURN: 20.9 percent

Source: Ministry of Economy

## SEEKING STABILITY IN THE MIDDLE EAST

Amre Moussa, Egypt's minister of foreign affairs, is one of the country's most prominent figures on the international scene. The 61-year-old graduate of Cairo University was his country's permanent representative to the United Nations before assuming his current post in 1991. He recently responded to questions pertaining to Egypt's present and future.

How do you assess Egypt's role in the world, the Mediterranean basin, Africa and the Middle East today?

Historically, and because of our strategic location, Egypt plays an active part in the Arab, African and Mediterranean settings. Today, we are pursuing an agenda to promote stability and progress by promoting cooperation, joint investments and enhanced economic interaction. We are active in a number of international organizations and forums, including the Organization of African Unity, where we discuss the political, economic and social problems facing the African continent. We also have a proactive dialogue with our European partners and are engaged in discussions with the European Union in an effort to create a mutually beneficial partnership.

Has Egypt's recent economic prosperity and the evolving peace dividend had any impact on the country's role in foreign affairs?

Foreign policy is directed to continuing the success of Egypt's economic program. To that end, I have undertaken numerous visits throughout Africa with officials and businessmen to probe new markets and find new partners for our emerging private sector.

How serious is religious extremism in Egypt and its neighbors?

Terrorism and extremism have become worldwide phenomena, from Tokyo to Paris to Oklahoma, and Egypt has had its share. Although no government can guarantee 100 percent safety, we have taken all the necessary steps to face the threats posed by terrorism and to protect our citizens and

## LONG-TERM PEACE AND A PROSPEROUS ECONOMY

Egypt is reaping the dividends of two decades of peace and structural economic reforms implemented during the 1990s.

Traditionally a cultural and political cornerstone in the Mediterranean basin, Egypt now also boasts a healthy economy featuring steady growth, low inflation, reduced debt, a stable currency and increased foreign investment. This economic transformation, which a report by the U.S. Embassy in Cairo called a "remarkable turnaround," is in contrast to what was the country's inefficient state-dominated economy.

### A new vocabulary

Privatization, liberalization and deregulation have become the watchwords from Alexandria to Aswan, and a variety of laws concerning investment guarantees and incentives are on the books. The government is also facing development challenges in social services, health care, education and the environment.

The domestic and foreign business sectors almost unanimously applaud the efforts of economics-trained Prime Minister Kamal El Ganzouri, who took office in January

1996. Indeed, Parliament renewed its vote of confidence in the government's economic reforms and privatization program last March, and there is a sense that the payoff will increase in the future.

"I have been in business and politics in Egypt since 1942 and have seen royal, socialist and military governments," says Ibrahim Salem Mohammadain, the 77-year-old former minister of industry, who is now chairman of the Alexandria National Iron & Steel Company. "This is the first time I have felt that there is a sensible, long-term economic plan."

There also seems to be progress at every juncture. New bridges span the Nile, and a major multibillion-dollar land reclamation program called Toshka is under way. A total of \$60 billion has been spent by the government on energy, transportation, housing, sewage, education and other infrastructure projects since 1982, and last month Egypt launched NileSat, its first satellite. A \$2 billion real estate development called Dreamland, near Cairo, undertaken by a private businessman, is perhaps symbolic of today's upbeat mood.

Peace and a solid economy are also being touted as persuasive elements for foreign investment. Although the terrorist attack by Islamic militants that killed 58 foreign tourists in Luxor last November had a negative effect on tourism and the economy, analysts say it did not dampen long-term foreign interest.

"Egypt is the cornerstone of our international oil program, and we are enthusiastically investing more aggressively than ever before," says Michael Coffield, the president of Seagull Egypt, a U.S. oil



President Hosni Mubarak is leading the drive to improve management and productivity.

Continued on page 21

Continued on page 20

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# EGYPT: THE STABILITY DIVIDEND

## PRIVATIZATION PROGRAM WIDENS ITS SCOPE

A book on the desk of one government official is entitled "Egypt: Privatization and Beyond," and Atef Ebeid, the minister of the public enterprise sector, is informally known as "Mr. Privatization."

Although its initial pace was somewhat conservative, privatization is now in full swing and has expanded to almost every sector of the economy — from tourism, services and heavy industry to utilities, public transportation and telecommunications.

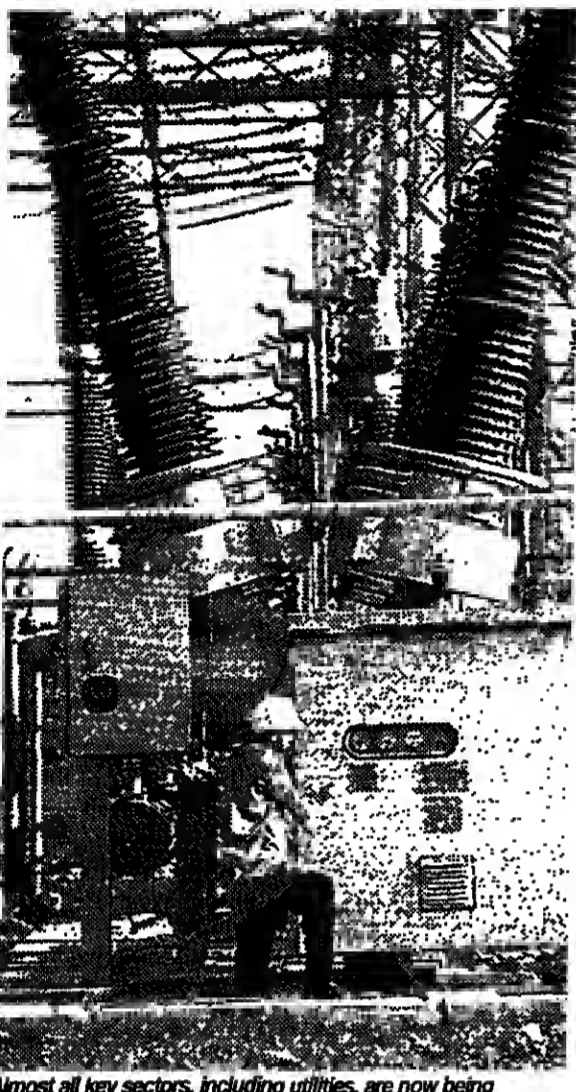
Even Egypt's governmental economic authorities will be converted into share-issuing companies, and the government confirmed this spring that it will sell 20 percent of Telecom Egypt and one of the four public-sector banks. The only sacrosanct business areas, says Mr. Ebeid, are military factories, the petroleum authority, the Suez Canal and the supply of water to the poor. Yet, "Mr. Privatization" is still frequently criticized for not moving more quickly.

Says Klaus Ebling, the managing director of Siemens Ltd. in Egypt: "The privatization of some hopelessly overstuffed and inefficient public concerns is still very slow." Indeed, some 85 heavily indebted companies in areas like textiles, metallurgy, engineering and construction are only now in the process of being restructured. Mr. Ebeid predicts that a dozen will be closed and the others offered, debt-free and without a labor surplus, to capable investors during the next few years.

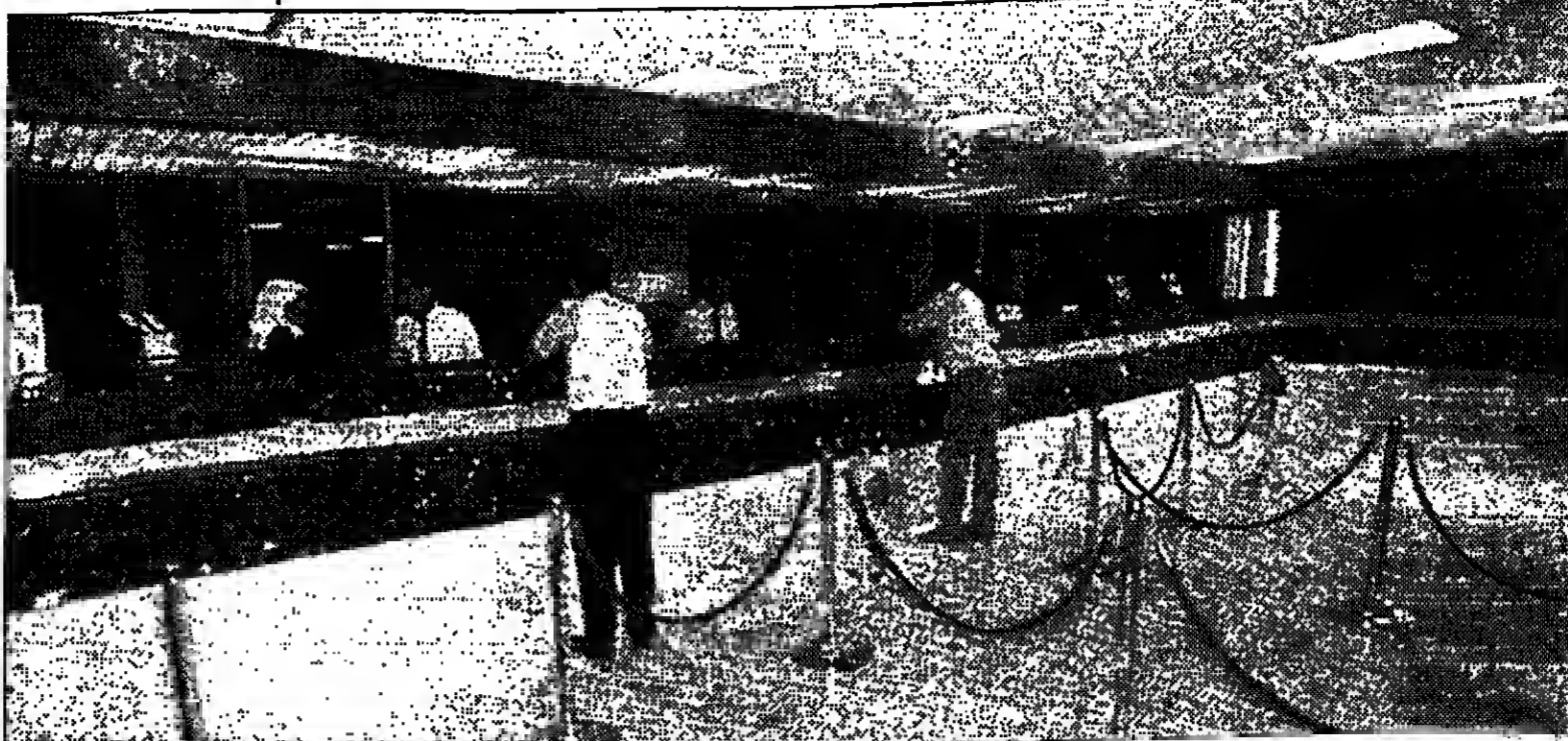
Meanwhile, some businesspeople who formerly criticized the pace of privatization are changing their tune. "Although I wanted faster changes, I think I might have been wrong in view of what has recently occurred in Asia," says MIBank's senior general manager, Mohamed Ozalp. "The government's policy of gradual privatization has proved quite wise, because it did not disrupt the social and industrial fabric."

To date, 82 of 314 companies targeted for sale have been privatized, and 35 more are scheduled to be sold by the end of the year. The government, which is averaging the sale of about 10 companies each quarter, expects to reap more than \$15 billion when the program is completed.

Mr. Ebeid is convinced that his successful efforts will put him out of a job. "There will not be a public economic sector in five years, and the government will simply take care of services in areas which do not attract private investors, like education and health," he concludes. "The ministry will close, which is why I am currently located in rented offices."



Almost all key sectors, including utilities, are now being affected by the privatization process.



New services and interest-rate cuts are among the transformations being introduced in Egypt's 80 banks.

## BANKS TAKE STOCK AND HEAD FOR STOCK MARKET

Deregulation has considerably enlivened the financial sector, which is increasingly moving into private hands.

Says Sherif Raafat, the chairman of the Egyptian stock exchange, as he hands a visitor a handful of economic reports on the country: "The Egyptian financial and economic story should be shouted from the rooftops." The economic analyses by reputed brokerage firms, which have titles like "Egypt: The Sleeping Beauty" and "Egypt: Emerging From the Past," are part of a flood of recent market research pertaining to the country.

Indeed, the stock market on El Sherifein Street in Cairo, with its impressive chandeliers in the entranceway, is poised for activity on morning as traders from 120 companies sit behind computer screens ready to buy and sell some of the 624 listed companies at the opening bell.

"The Cairo exchange has settled down following the rapid rise and fall of a few

years ago," says Rasha Lashin, a 25-year-old trader for EFG-Hermes. "We're now a mature market."

**Flood of capital**  
The stock market, which had a return of over 20 percent last year, currently has a market capitalization of \$20 billion. Ms. Raafat predicts that the market capitalization will soon increase to between \$50 billion and \$70 billion because of privatization and a number of family-held companies coming to the market.

"We are moving from a closed economy with cartels and monopolies to the broadest, largest and widest capital market in North Africa," observes Ms. Raafat, noting that the country's Capital Market Authority has signed an agreement with the U.S. Securities and Exchange Commission for technical assistance and information exchange.

The stock market embodies the high level of excitement seen throughout the country's financial sector. Egypt's 80 banks have been altered by deregulation measures, which have produced everything from interest-rate cuts to a flurry of new financial services offerings.

"The banking sector is competitive and thriving," says Ahmed Shawki, managing partner of Mostafa Shawki & Co., the Egyptian member of the Deloitte Touche Tohmatsu International accounting firm. "But the very conservative insurance market is still not sophisticated and must be liberalized before it joins the party."

Privatization has also entered the banking arena. The government plans to privatize one of the four major public-sector banks — which include the Bank of Alexandria, Banque Misr, Banque du Cairo and the Na-

tional Bank of Egypt — later this year.

"Decisions by the public banks are sometimes still influenced by state ownership," acknowledges Aly Dabbous, managing director of the Arab International Bank, in which the Libyan government has a 28 percent stake. "Their future is the big question mark in Egyptian banking liberalization."

Banks are also taking themselves to the stock market. The private Egyptian Gulf Bank, for example, will market 20 percent of its capital in a share offering early next year.

"The added capital will be used to open new branches, increase electronic networking, expand retail products, introduce a credit card business and expand into the investment banking sector," says Mohamed Barakat, the bank's managing director.

**NBE centennial**  
The National Bank of Egypt celebrated its 100th anniversary earlier this month with a three-day conference that brought more than 1,000 leading members of the local and international financial community to Cairo. The event included a night at the Cairo opera and a folklore party at the monumental Citadel.

The guests, including 120 foreigners representing institutions like the World Bank, also received commemorative coins, a book tracing the bank's history and a government-issued stamp that featured both the bank's modern tower building near the World Trade Center and its first headquarters. Those

were at the corner of Kasr El Nil and Sherif Streets, now the offices of the Egypt's Central Bank.

The National Bank of Egypt was created on June 25, 1898 to attract British capital and provide funds for development projects. It was also entrusted with issuing currency notes and acting as banker to the government.

While the state-owned institution, which has total assets of almost \$16 billion, is becoming venerable, it is still the country's largest bank and regarded by many as nimble and innovative. It was the first Egyptian bank to sell mutual funds in the country, the first to establish a leasing company, with foreign expertise, the first to issue GDRs in the international marketplace and the first on the Internet.

With 10,000 employees and 343 domestic branches, the bank is involved in a blend of commercial, retail and investment banking. It also has interests in private equity closed country funds, like the Egypt Trust Fund and the Nile Growth Fund, and is involved in equity participation in almost 200 different development projects throughout Egypt.

"We try to take the lead in most Egyptian projects in tourism, banking, housing, food security and industry," says Hussein Abdel Aziz Hussien, the bank's executive general manager.

Standard & Poor's predicts the institution will "exploit its leading position in Egypt and capture at least its natural 20 percent share of the growing Egyptian banking market."

## SEEKING STABILITY

Continued from page 19

visitors within our borders. As an international problem, however, the elimination of terrorism requires close cooperation between all nations, particularly those that harbor leading persons in extremist and terrorist organizations. We are currently coordinating the steps needed to eradicate it.

**What are your key concerns for the future?**

Peace and stability in the Middle East. The continuation of negative Israeli government policies is killing the peace process, and this can lead to dire consequences for the whole region. Economic prosperity for Egypt is another key concern, and we also want to enhance closer cooperation between developing countries through south-south cooperation. We are hosting the Group of 15 summit meeting in Cairo May 11-13 in order to promote development and cooperation among Third World countries. It is vital to keep in mind that our economic partnership with the United States is burgeoning and reflects our nature and positive cooperation with Washington. But another important goal is to reach an agreeable formula for our future economic, political and security cooperation with European countries. Lastly, the Islamic world is facing several problems, and we hope to correct the misperception about the teachings



Minister of Foreign Affairs Amr Moussa.

of Islam in the United States and Europe.

**Why does Egypt want to continue to have a role in the Middle East peace process?**

First, because we live in the Middle East. And second, because we are the largest and oldest country historically involved in Middle East affairs. We have been a pioneer of peace for two decades, and achieving a comprehensive, just and lasting peace is one of our principal strategic objectives. Peace will not only contribute to regional stability and security but also end, once and for all, the Arab-Israeli conflict. This is important for development and economic prosperity not only in Egypt, but also for this entire geographical sphere. It will allow the region to play its full-fledged role in the world economy as we usher in the 21st century.

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Capital	US\$ 220 million	30/6/97
Reserves	US\$ 105 million	
Deposits	US\$ 1825 million	

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# EGYPT: THE STABILITY DIVIDEND



The Alexandria National Iron & Steel Company has modernized its plant to meet increased demand and improve green standards.

## IRON AND STEEL: INCREASED PRODUCTION

Exports and local demand for infrastructure projects are helping to boost sales.

Egypt's economic growth has fueled increased activity in a number of manufacturing sectors, including iron and steel production. The Alexandria National Iron & Steel Company, 15 kilometers (9 miles) from Alexandria at the El Dikheila port, recently expanded its annual reinforced steel bar capacity by 40 percent, to 1.5 million tons.

"We redesigned and modernized the entire plant to better utilize the facilities, meet increased demand and stay ahead of the competition," says the company's chairman and managing director, Ibrahim Salem Mohammadain, noting that 1998 sales should increase by 20 percent, to \$440 million. "Our next major step will be to launch a flat steel products plant in 2000 at a cost of \$625 million."

The Alexandria facility now includes a direct reduction unit to create sponge iron, an integrated continuous casting steel plant to produce 16-meter-long steel billets and two rolling mill plants to manufacture reinforced steel bars and rods. Raw materials are imported through El Dikheila, natural gas is piped in from Abu Qir and water is conveyed from the Nile.

"This is the most modern integrated iron and steel plant of its kind in the Middle East," says Mr. Mohammadain, as he discusses the new furnaces and state-of-the-art rod and bar production lines that now meet a variety of universal standards.

Exports to countries as diverse as Spain and Saudi Arabia account for 21 percent of production, while domestically output is used in most of the nation's infrastructure projects, including the library in Alexandria and the expanding subway system in Cairo. Inaugurated in 1986 with a nominal production capacity of 745,000 tons, the Alexandria National Iron & Steel Company now represents a total investment of \$1.2 billion.

"We have obtained ISO 9002 certification and are now completing the procedures to obtain ISO certification for environmental standards," says Mr. Mohammadain, noting that \$17 million has been spent on fume extraction and monitoring systems. "Our plant is cleaner than similar installations in Germany, Japan or the United States, according to the foreign engineers who pay us a visit."

## THE FINANCE MINISTER'S PERSPECTIVE

Youssef Boutros Ghali, the 45-year-old former economics professor who became the minister of economy last July, is as optimistic about the economic future as the business, diplomatic and investment community. Mr. Boutros Ghali, who has also worked with the International Monetary Fund since getting his Ph.D. at the Massachusetts Institute of Technology, discussed the economic outlook during an interview at the Ministry of Economy in downtown Cairo.

What is Egypt's most successful economic accomplishment?

We have a sustainable and stable economy today because our fiscal discipline led to monetary discipline. This massive achievement involved a long, painful, sweaty process over the last seven years. But it was worth it because it is repeatable. We've broken out of the vicious cycle of deficits and inflation.

And the downside?

It is unfortunate that institutions addressing in-

come disparities could have not have been created a little sooner.

As in all developing countries, there is a serious gap between haves and have-nots. But I am somewhat relieved that the gap didn't widen and that we avoided major social disturbances during our period of economic reform.

Isn't the rate of unemployment, which could be higher than your official figure, a serious problem?

I won't feel good about unemployment until we achieve our "natural" rate of 4 percent to 5 percent, which I think will occur within five years.

What about Egypt's legendary bureaucracy?

It would take a revolution to resolve the problems of our bureaucracy in a quantum leap. But we have tried to streamline red tape in areas important to foreign investors. The public sector is being privatized, and the civil service will gradually be slimmed down through attrition and hiring freezes.

How serious an effect

did the Luxor attack have on the economy?

It was a terrible human tragedy. Though growth will fall slightly as a result, the economy is strong enough to weather

encourage foreign investment. We want businesses that bring us advanced technology and employ a large number of workers. What will drive future growth?



There are virtually no restrictions on investment in Egypt, and we are developing a coherent, detailed and systematic plan for new investors.

the decline in revenue. I think Luxor also made the Egyptian people aware of the dangers of having an alienated or marginal class of society. People realize that economic growth must be advantageous for everyone.

What are you doing to

Industry and high-value agriculture will be the main engines for growth, and our aim is to increase exports by 10 percent annually. To achieve this, we would like to iron out our trade agreement with the European Union.

## ENCOURAGING FOREIGN INVESTMENT

Foreign money and international companies are to be found nearly everywhere in Egypt.

The billboards on the toll road between Cairo, a city of 15 million people, and Alexandria, a city of 4 million, tout everything from Motorola and Domino's Pizza to Furukawa rock drills and the Arabian Solar Energy and Technology Company. And it is rare to read a copy of the daily Egyptian Gazette and not find news of yet another foreign investment deal or contract, like the award to Bechtel for a \$300 million power station or the opening of a Cairo office by companies like Amadeus or Oracle.

"Foreigners have been net buyers on the stock market since January 1997 and represent about a third of trading and 10 percent of ownership," says Sherif Raafat, the chairman of the Egyptian stock exchange. "My goal now is to increase the number of foreigners among our trading companies."

Sector spread While multinational petroleum companies have been operating in Egyptian partnerships for decades, foreign direct investment, joint ventures and increased investment in capital markets are important elements of Egypt's current economic reform program. Egypt's assets include the country's geographical location, its market of 62 million people, high profit margins, inexpensive and qualified labor (the Pyramids and Suez Canal are frequently given as examples of tenacity), attractive investment incentives and a high level of services. "With good management, an investment

in any sector can still reap huge economic rewards," says Ibrahim Ahmed Kamel, the chairman of Kato Aromatics.

Foreign investment, led by Saudi Arabia and Kuwait, is climbing at a dizzying pace. Shell Egypt, for example, is dramatically increasing investments to exploit oil and gas potential, while Glaxo Wellcome Egypt has invested \$80 million since 1991 to create a state-of-the-art manufacturing facility.

Foreign direct investment, joint ventures and increased investment in capital markets are important elements of Egypt's current economic reform program.

A number of foreign companies are expanding because of growth in the domestic market, while others are evaluating substantial investments in petroleum development, financial services, telecommunications, banking and insurance, and food processing. The 2,400 U.S. companies doing business with Egypt include well-known names like Amoco, Mobil, General Motors and IBM.

Egyptian companies are also constantly looking for foreign partners. The IGI group, which has ventures with foreign companies like Informix and Marriott, is exploring a variety of partner-

ships and joint ventures with companies bringing know-how and capital to Egypt.

Experienced businesspeople encourage foreign investors, particularly smaller ones, to do their homework. "My main advice for a foreign investor is to be very careful in selecting his local partner," says Klaus Ebling, the managing director of Siemens Limited in Egypt.

Success story The German multinational, which is 150 years old this year, first entered the Egyptian market when it opened a Cairo branch almost a hundred years ago. "There have been ups and downs during our first 100 years here," says Mr. Ebling. "We were liquidated by the British during World War I, closed down in World War II and nationalized in the 1950s. But today we are enthusiastic about Egypt, and we recently announced an investment of \$35 million, our largest to date, to increase equity in our telecommunications joint

venture company."

Telecommunications, energy and transportation projects represent 80 percent of Siemens's activity in Egypt, but the company is also involved in industrial automation, information system and medical engineering sectors. Siemens has constructed one-third of Egypt's installed thermal power-generating capacity and acts as a local partner in joint ventures to produce licensed quality components for power systems. It has also laid 1,500 kilometers of fiber-optic cable in the Sinai, is installing 2 million telephone lines over the next five years, produced many of the country's solar-powered billboards and supplied the servers handling school administration at the Suez Canal University.

"We brought power and telephones to the Sinai, and anticipate future projects in both areas," says Mr. Ebling, noting that the company recently completed three power substations ahead of schedule.

## LONG-TERM PEACE AND PROSPERITY

Continued from page 19

company. Yet the country, headed by President Hosni Mubarak, who is serving his third six-year term, still has a bloated bureaucracy and almost 5.5 million civil servants. Pervasive red tape is by far the most frequent complaint in the nation that invented papyrus paper and then proceeded to flood itself in it.

"There is still a massive bureaucracy," admits Roger Patey, chairman of Shell Egypt, "but there is a drive from the top to improve management and increase productivity."

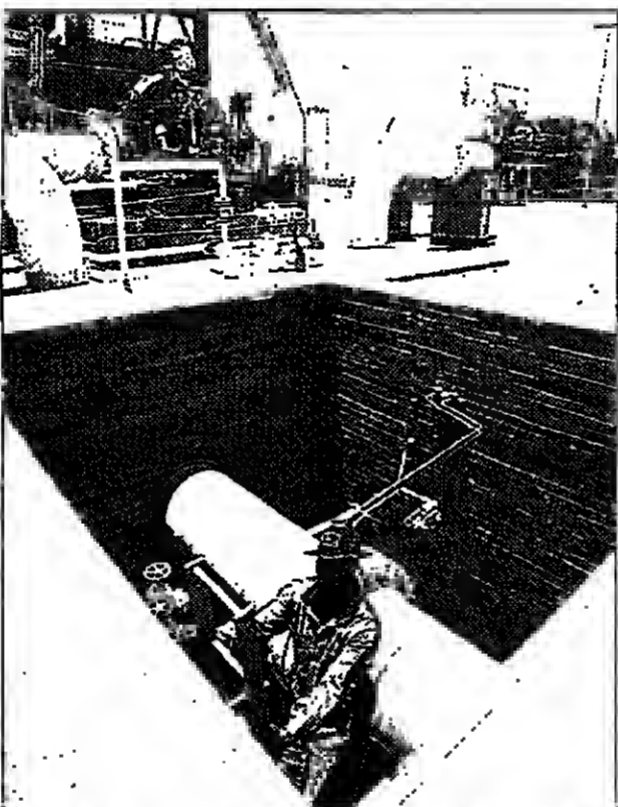
In addition, the military and the police force still account for 17 percent of the state's annual spending. There are comparatively high import tariffs, a thriving underground economy, housing shortages, substantial illiteracy and decaying urban areas.

Social dividends as well But the economic dividends are expected to serve as a long-term panacea to the lopsided distribution of wealth and to remedy many visible social disparities.

"Our tremendous economic energy is enabling us to fight poverty and illiteracy through increased employment opportunities," says Maged Abaza, general manager of business development for the International Group for Investments, one of the largest private-sector business groups in Egypt.

While some Arab neighbors still criticize Egypt's rapprochement with Israel, and the militant religious element is an obvious concern, few analysts take the position that internal or external threats will destabilize the government or the economy. Rather, Egypt is expected to increasingly employ its economic prowess and strategic geographical location to regain its former pre-eminent status in the Middle East.

Egypt wants to resume its historic role as an Arab leader and the main link between the Occident and the Orient," says Robert Mantran, a noted Islamic specialist in France. "Long-



Oil companies are among the foreign investors increasing their stake in Egypt.

term peace and economic prosperity could give it that opportunity." Indeed, Egypt is now negotiating a partnership with the European Union: is host to the Cairo-based Middle East North Africa Development Bank, which finances cross-border projects; and is even reviving the long-debated idea of an Arab Common Market.

"The Egyptian people are determined to turn a new chapter in their history," President Mubarak has said. "Our enhanced economy is the key to regional stability and security."

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## EGYPT: THE STABILITY DIVIDEND

### NEW MANUFACTURERS JOIN AUTO SECTOR

Joint ventures are the main engine of growth in Egypt's automobile industry.

The strength of the automobile sector in Egypt, which is growing at a rate of about 5 percent annually, can be seen both in the large number of locally made Fiats on the road and a number of manufacturing plants established at industrial sites like 6 October City, where General Motors opened a production facility in 1985.

There are currently 2.3 million cars on Egyptian roads. A dozen joint-venture operations are assembling and manufacturing models by foreign manufacturers, ranging from Chrysler and Citroën to Nissan and Peugeot. Two German

car makers, BMW and Mercedes-Benz, became the latest entrants in the field when they inaugurated production lines last year.

BMW formed a collaborative partnership and licensing agreement with the Al Fotouh Company for Vehicle Assembly. ACVA invested \$40 million in an assembly plant using knocked-down kits and more than 43 percent local content to manufacture 2,000 cars a year. The BMWs, which began coming off the line last June, are being assembled in the Nissan plant in 6 October City under a unique arrangement whereby the two companies share the paint shop to reduce costs.

"BMW provides the know-how, attends to all the planning and monitors the production process," says Operations Manager Samir El-Sherif as he tours the assembly line and points out local modifications, which include a tropical radiator. "Everything is evaluated according to European quality standards."

#### Winning both ways

Besides high quality, Egyptian consumers are guaranteed lower prices. "It costs consumers 40 percent less to purchase a car assembled locally rather than importing it and paying high tariffs," explains ACVA's national sales and marketing manager, Elwi Caplan, noting that Land Rovers will be produced at the facility in mid-1999 following a further \$40 million investment.

Just down the road from BMW's operation is a \$44.3 million facility that began assembling Mercedes-Benz E-class vehicles last November. Daimler-Benz took a 26 percent stake in a joint venture called the Egyptian German Automotive Co. with its longtime importer. It was the German company's first joint venture with direct financial participation in a passenger-car production unit in the Arab world.

EGA manufactured its 1,000th car in March and expects annual production to exceed 2,500 vehicles during its first full year. Mercedes-Benz provided technology, factory layout, staff training and development of local suppliers. The plant is completely integrated with the German parent company's specifications.

"We have complete quality control over every aspect of the manufacturing process, and the plant has the best quality and highest labor productivity of any similar Mercedes-Benz manufacturing facility outside Germany," says Gamal Okail, general manager of EGA, who is conducting a marketing study to determine what other Mercedes models to manufacture in Egypt. "We have enthusiastically opened the doors to our customers and use the plant as a key advertising and marketing tool."



The Mercedes-Benz assembly plant is the German company's first joint venture of its kind with a passenger-car production unit in the Arab world.



BMW, in an arrangement with a local partner, is now turning out 2,000 cars a year.



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Glaxo Wellcome has spent \$80 million to create a comprehensive manufacturing facility outside Cairo.



## INDUSTRY THRIVES IN THE PRIVATE SECTOR

Expected to grow at about 8 percent this year, the industrial sector is creating new niches.

Egyptian industry, until privatization got under way during the 1990s, was predominantly state-owned. It made use of protectionist measures — including quotas, price controls and tariff barriers — to survive. A decade ago, government-controlled companies accounted for 60 percent of industrial output, 90 percent of industrial exports and 75 percent of industrial employment.

Privatization and liberalization have led to the de-

velopment of a competitive industrial sector that contributes about 17 percent to Egypt's gross domestic product and accounts for 13 percent of employment. Many sectors — including automobiles, textiles, consumer electronics, pharmaceuticals, cement, aluminum, and iron and steel — are expanding, while niches are being created in a variety of high-tech areas, like software localization for the Arab world.

The new face of Egyptian

industry is evident during visits to more than a dozen expanding industrial zones, like the sprawling 6 October City (the development, about 45 kilometers, or 28 miles, west of Cairo, got its name in commemoration of the 1973 date on which Egyptian armed forces crossed the Suez Canal into the Sinai), where over 350 companies now have facilities. In addition, there are new industrial developments, including a high technology park and science park.

Egypt, of course, is still considered an emerging industrial country, but progress in services, technology, development, growth and competition during the last five years has inspired many businesspeople. "The economic and industrial situation in Egypt today enables me to do what I do best — build industry in a nation where I understand the specific cultural and behavioral nuances," says Negad Shaarawi, chairman and managing director of Glaxo Wellcome Egypt.

Adds Ibrahim Ahmed Kamel, chairman of Kato Aromatics: "The private sector is getting involved in bigger industrial projects as it gains confidence." Kato Aromatics, a holding company whose subsidiaries are manufacturing a plane in Russia, is building an \$80 million integrated manufacturing complex in 6 October City and constructing a 278-room deluxe hotel in Cairo.

Foreign industrial investors used to a competitive marketplace often mention other attributes of manufacturing in Egypt. "The infrastructure is the best in the North African and Middle East area, and this is an excellent industrial base from a manpower perspective," says Klaus Ebling, managing director of Siemens Ltd. in Egypt. "Egypt is politically stable and economically sound, which enables us to confidently undertake long-term projects."

One challenge will be to expand the industrial base beyond Alexandria, Cairo and Port Said to other parts of the country. Another will be to further penetrate export markets with Egypt's improved industrial output and manufactured goods.

"We are committed to enhancing our exports both in quality and quantity," President Hosni Mubarak has said. "The aim is to make the phrase 'Made in Egypt' a badge of high quality everywhere."

**EGYPT: THE S**

**PHARMACEUTICALS EXPAND MARKET AND MANUFACTURING**

The Egyptian pharmaceutical market, which is expected to reach a value of \$1.1 billion by the year 2000, is growing at an average annual rate of 20 percent. The market is now being opened up to foreign investment, and pharmaceutical companies are creating products for the Egyptian market.

The market is now being opened up to foreign investment, and pharmaceutical companies are creating products for the Egyptian market.

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مصرات الحديد

## EGYPT: THE STABILITY DIVIDEND



Development labs are creating products specifically for the Egyptian market.

### PHARMACEUTICALS EXPAND MARKET AND MANUFACTURING

The Egyptian pharmaceuticals market, which is estimated to be worth in excess of \$1.1 billion this year, has been growing at an average annual rate of 20 percent. Per capita yearly expenditure on drugs is now almost \$20, compared with just over \$10 in 1994. There are more than 30 manufacturing sites, and pharmaceuticals are distributed at some 16,000 pharmacies throughout the country.

"We have traditionally been a base for international pharmaceutical companies due to increases in real consumption because of our quickly growing population," explains Mohamed Barakat, the managing director of the Egyptian Gulf Bank, noting that multinationals in the country include Novartis, Bristol Myers Squibb, Hoechst Roussel, Glaxo Wellcome, Eli Lilly and Pfizer. "Local products were also protected by government subsidies, and there was a budding export business in other Middle Eastern countries."

#### Integrated local facility

The major investment during the 1990s was made by Glaxo Wellcome, which has spent \$80 million since 1991 to create a comprehensive, integrated, state-of-the-art manufacturing facility at El Salam City near the Cairo airport.

"We decided that the only way to enter the country was to acquire a local firm and then invest for the long term," says Negad Shaarawi, chairman and managing director of Glaxo Wellcome Egypt, who has been active in the Egyptian pharmaceuticals business for 22 years. "This is a tremendous vote of confidence in the Egyptian government, labor, economy and future."

The 120 products in Glaxo Wellcome's Egyptian portfolio include well-known Actifed cough medicine and the Zantac ulcer pill. In addition, a development laboratory creates pharmaceuticals specifically for the Egyptian marketplace.

The company, which has more than 1,000 employees, uses a variety of improved production and packaging methods, and is one of 500 companies in the world to be awarded a Manufacturing Resource Planning Class A certificate. The site has a number of International Standards Organization (ISO) certifications.

## POWER SECTOR UNDERSCORES NATIONWIDE DEVELOPMENT

Egypt is diversifying its energy sources as it expands their scope.

Egyptian energy is in the hands of a man whom Klaus Ebling, managing director of Siemens Ltd. in Egypt, calls a "realistic visionary." Indeed, Muhammad Maher Abaza has held the position of minister of electricity and energy for 18 years.

"The minister has fulfilled all of his five-year plans, which is a major achievement in a developing country," says Mr. Ebling, noting that many parts of the power and electricity sector are open to private ownership. "He has also created cost-covering energy tariffs and almost completely eliminated subsidies."

#### Charting a growing grid

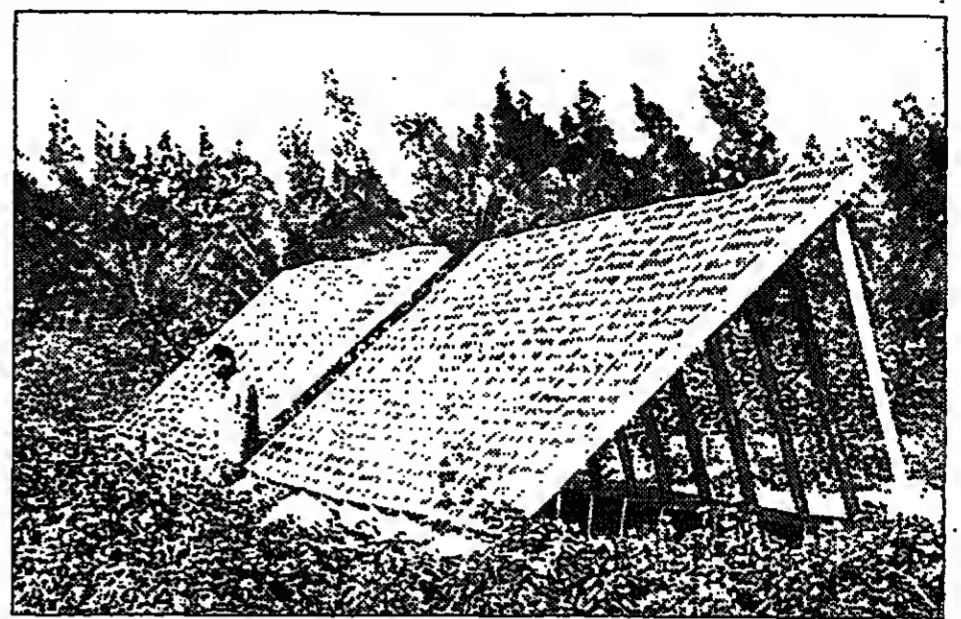
The 68-year-old Mr. Abaza always has diagrams in his

possession to vividly display the status of the Egyptian power network. As he unfolds maps and charts in his Cairo apartment, he eagerly points out two new 627-megawatt steam turbine generators that will increase Egypt's total network capacity to 15,500 MW. Then his finger moves to the path of a 220 kilometer (135 mile) cable that will run south from Aswan and the location of two 225-meter-high towers being erected near the Suez Canal to carry electricity to the Sinai. He points to wind farms on the Red Sea and the location of solar collectors in the desert.

"Besides getting power to people throughout the country, we've taken it into the desert to help reclaim land for industry, agriculture,

housing and tourism," says Mr. Abaza, who speaks about Egyptian energy with electrifying passion and is especially enthusiastic about competitive bidding for projects based on the BOOT (build-own-operate-transfer) concept.

Mr. Abaza, whose wife remarks on the pollution in Cairo during tea, also points out that he is cleaning up Egyptian energy. "Eighty-five percent of our steam-powered network is gas-fired, and we are increasingly introducing solar and wind energy into the network," he says, mentioning that solar units are inexpensive solutions for isolated villages with a few hundred people. A longtime backer of international energy exchanges and multinational intercon-



Solar energy is an inexpensive solution for more remote areas of the country.

nectivity, he is proud that the \$381 million United Arab Grid — which has high tension cables linking Egypt, Jordan, Syria, Iraq and Turkey — will be in operation early next year. He does not

hesitate to look even further into the future.

"All of the countries around the Mediterranean basin will be linked together in one power-sharing grid in eight years, and hydropower

from the Democratic Republic of Congo will be brought north by 2025," he predicts. "Egypt is actively promoting these schemes because we are at the hub of Africa, the Middle East and Europe."

## POLICY REFORM IMPROVES AGRICULTURE

The key to agricultural growth in arid Egypt is an effective water development program.

Two decades ago, the desert road from Cairo to Alexandria was surrounded only by sand. Today, expansive green fields devoted to farming and agriculture dominate the landscape, and there are remarkable developments like Dina Farms, a 30,000-acre (12,000 hectare) agricultural oasis yielding a variety of crops through the use of well water and mechanized production methods.

#### Rise in food crops

While the role of agriculture in the Egyptian economy has declined from 20 percent in 1986 to less than 16 percent today, there has been a dramatic increase in the cultivation of crops like wheat, rice, maize, cotton, clover, tomatoes, sugar cane and potatoes.

"There have been phenomenal yield gains and significant increases in major crop production stimulated by policy reform, research and improved water resource management," according to

the United States Agency for International Development.

"Agriculture is much more productive and automated than in the past, due to a liberalization program in the 1980s," agrees IGI's Maged Abaza, whose company has interests in the agricultural field. "But we must dramatically increase the agricultural area of the country to further promote self-sufficiency."

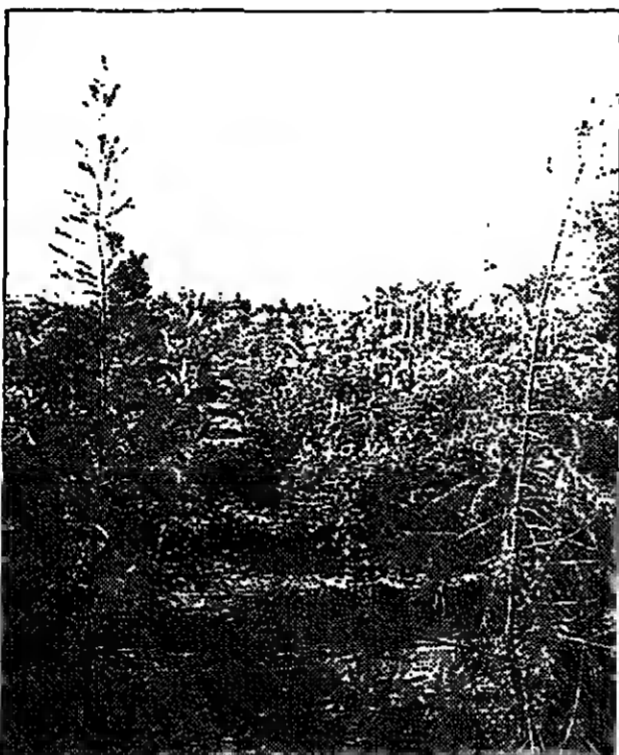
Mahmoud Abou Zeid, Egypt's minister of public works and water resources, says: "We cannot think of land development without thinking of water. Most of our water development program depends on improved use of existing water resources, from recycling to better drainage systems."

There are also ambitious land reclamation projects under way, like the 67 kilometer (42 mile) Toshka Canal from Lake Nasser into the Western Desert. The total cost of the project could exceed \$100 billion when dams,

canals, power generation facilities and water treatment plants are included. The government ultimately plans to move 3 million people into a 350,000-acre area, and a U.S. Embassy economic report says that "by some estimates this would double Egypt's agricultural land and GNP in 15 years."

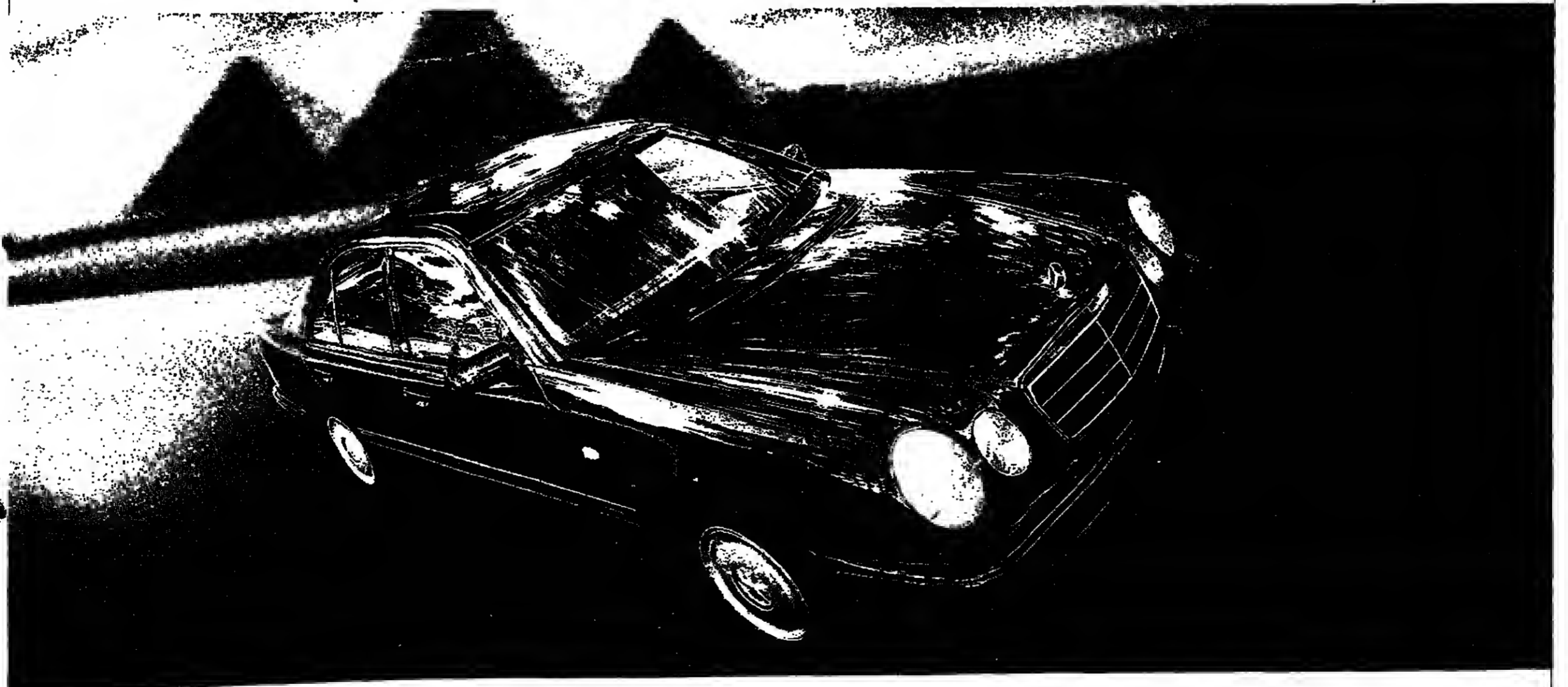
#### Major opportunity

In order to succeed, government officials hope the project will attract significant foreign and domestic investment. Indeed, Toshka is by far the most frequently mentioned infrastructure development project in Egypt today. "We are considering a \$30 million agricultural project in Toshka within the next two years if we can find a major U.S. agricultural company that can bring us the technical and management know-how," says Ibrahim Ahmed Kamel, chairman of Kato Aromatics, which produces flowers, fragrances, seeds, herbs and a variety of food products.



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## EGYPT: THE STABILITY DIVIDEND



As large oil reserves begin to decline, many major producers are shifting their focus to natural gas exploration.

## EXPLOITING OIL AND NATURAL GAS

Oil production is maturing in Egypt, but there are still new opportunities for independent producers.

Oil and gas, which account for almost 10 percent of Egypt's gross domestic product and more than two-thirds of all exports, is easily the country's largest foreign investment arena.

Despite deregulation throughout the economy, the petroleum sector is still governed by agreements between foreign companies — including multinationals like Agip, Amoco, British Gas, Repsol and Shell — and the Egyptian General Petroleum Corp. (EGPC). The arrangement gets generally high marks from the oil majors.

"The EGPC has honored all of its production-sharing contracts and agreements since they were initiated in the 1970s," says Roger Patey, chairman of Shell Egypt, which established a presence in the country in 1911 and is now planning to triple its retail outlets and double its natural gas production. "The Egyptians have done a good job in

terms of managing resources and have developed concession areas by encouraging competition between major oil companies."

The country's maturing oil production, which has been in the range of 850,000 barrels per day (b/d), with exports at about 200,000 b/d, will decline to 820,000 b/d in July because of a depletion of reserves in some large fields. But oil reserves are estimated at 6.3 billion barrels, and improved concession rates keep established multinational oil companies active in exploration and exploitation. In addition, independent oil producers are increasingly making inroads.

Seagull Egypt, a Texas-based oil and gas company, has been operating in Egypt for less than two years, but has acquired interests in six concessions by buying and merging with companies and purchasing assets. Last month, it announced it would develop a new

commercial field in a 50-50 venture with Apache Egypt in the East Beni Suef concession, a 6.8-million-acre (17 million hectare) concession on both sides of the Nile south of Cairo.

"The future for oil production in Egypt is for quick-moving companies like ours to use advanced technology and lower cost structures to reach sweet spots that are unattractive to major producers," explains Michael Coffield, the president of Seagull Egypt.

The decline curve in the major oil fields has prompted many major producers to concentrate on natural gas exploration. Natural gas produces 85 percent of Egypt's thermal power, and automobiles running on natural gas are a growing local phenomenon. Reserves are estimated at upward of 22 trillion cubic feet; Egypt will have an exportable surplus of gas due to substantial finds in the Mediterranean, Nile Delta and Western Desert. ■

## ENVIRONMENT GETS PRESSING ATTENTION

Legislation is being updated to better regulate industrial pollution and encourage green initiatives.

President Hosni Mubarak created a Ministry of State for Environmental Affairs, headed by Nadia Makram Ebeid, when he reshuffled his cabinet last July. The minister promptly made the environment a pressing and fundamental national issue. "Our pollution is due primarily to inaction and the fact that too little attention was paid to environmental damage for over 40 years," Mrs. Ebeid admits as she hands a visitor a copy of the 1994 environmental laws she is now updating. "Egypt certainly has environmental problems, but the government is now determined to overcome them."

Already, 34 large-scale industrial installations — mainly fertilizer, sugar and metallurgical companies — have been identified as re-

sponsible for at least 60 percent of all the pollution in the Nile. Sixteen of the companies have already spent a total of almost \$100 million to conform to the latest environmental laws, and others are currently taking steps to clean up their operations.

"Cement factories are still a chronic problem, but three plants near Cairo have spent \$24 million on air filters, and new plants will be located away from populated areas," Mrs. Ebeid notes, adding that there are loans, technical support and other incentives for action-taking companies.

In addition, the ministry has introduced a Cairo Air Improvement plan to measure vehicle emissions this summer, and it is actively backing the use of natural gas in automobiles. There are also plans to increase the area of the country's natural parks

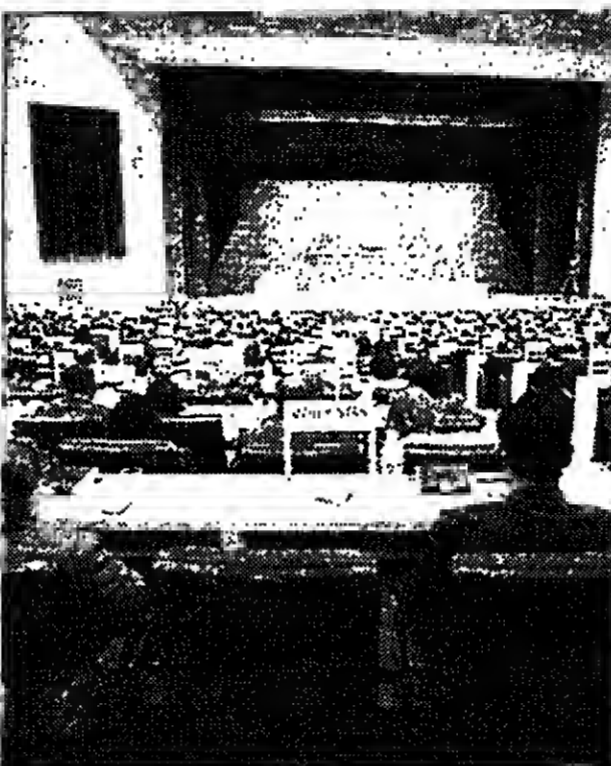


Environment Minister Nadia Makram Ebeid.

by 15 percent. Egypt is participating in a number of international efforts involving the Mediterranean, energy efficiency and climate change.

"My long-term goal is to educate young and motivated men and women who can give us an edge in environ-

mental science," says Mrs. Ebeid, noting that environmental standards and impact assessments are imperatives for all new development projects. "I not only want the country to acquire the best technology, I want every citizen to realize that reducing pollution saves lives." ■



The International Convention Center will be the site of the marketing communications conference.

## IAA CONFERENCE

Cairo is the host city for this year's meeting.

Egypt has carved out a niche as a Mediterranean conference center by playing host to such disparate events as an Internet convention last March and an international automobile show in November.

"It is easy to get top speakers to come to Cairo and Egyptian resort areas because of the country's traditional tourist attractions and top international hotels," says Tarek Kamel, secretary of the Internet Society of Egypt, organizers of Caintet, the nation's third Internet conference and exhibition, which attracted speakers from 20 countries. "Conventions in Egypt always include visits to the most popular tourist sites."

This week, 1,300 participants from 95 countries will attend the 36th International Advertising Association conference, being held for the first time in the Middle East.

Taking place under the patronage of Egyptian President Hosni Mubarak at the International Convention Center in Cairo May 10-13, the IAA will take as its theme "Interaction — The 21st Century." Executives from companies like American Express, Compaq, Microsoft, Mobil Oil and Visa International will take part in speeches and debates about the future of marketing communications.

"Egypt has been the cradle of communication since the dawn of history, and it is appropriate that we are hosting the last IAA congress of the century," says Dahlia Abdel-Fattah, the event's executive director. ■

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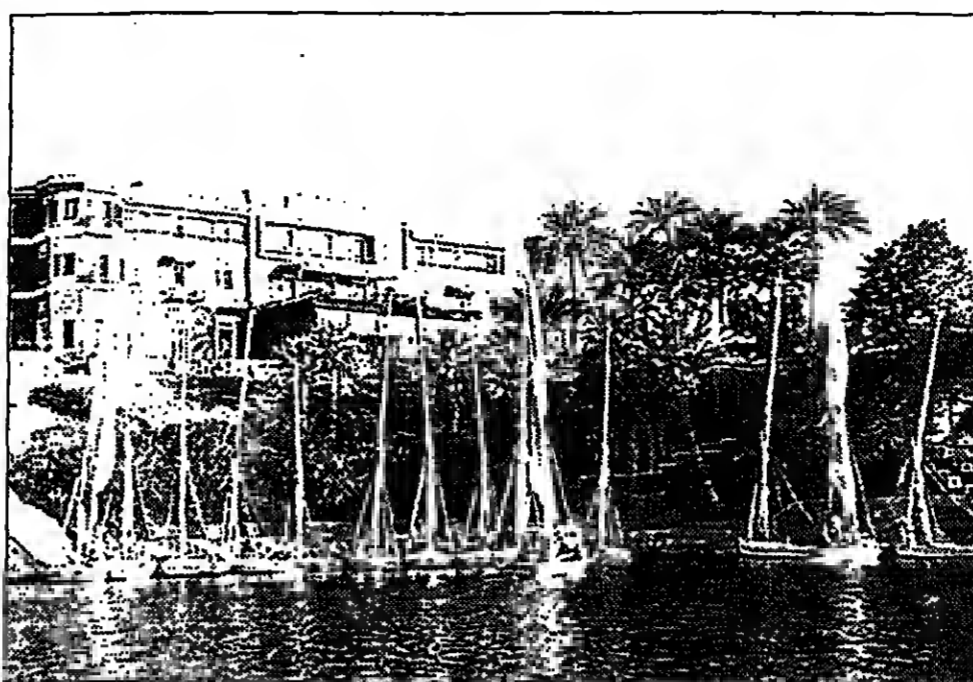
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# EGYPT: THE STABILITY DIVIDEND



## LULL IN VISITORS, NOT INVESTORS

Long-term investors are not shying away from opportunities in the tourism sector.

Egypt is a nationwide museum and year-round resort with many of the attributes — sun, sea, sand, culture and an upmarket infrastructure — necessary for a budding tourism industry.

But this important revenue-earning sector is still feeling the crushing blow of last November's attack on tourists in the southern resort town of Luxor. Today, whether the subject is tourism or the economy, conversation is often conducted in terms of pre- and post-Luxor.

Although the government quickly implemented tight security measures following the incident, observers agree that it will take at least until September before there is any serious uptake in tourism.

Almost 90 percent of tourists come to Egypt on group tours and, though some operators have included the destination in their autumn catalogues, many canceled excursions following the attack.

"Tourist terrorism won't threaten the stable regime or destroy the strong economy in Egypt today," says David Wilsford, political scientist and president of the Institute for American Universities in France. "But it certainly does not encourage people to book flights."

### Boom and bust

Tourism in Egypt had been blossoming pre-Luxor. Nearly 4 million tourists arrived in 1997, compared with 1.5 million in 1985, and the industry earned the country over \$3 billion, or about 4 percent of GDP, in June of the 1996-97 financial year. It is, directly or indirectly, responsible for one job in 10.

"Tourism, particularly because of its ripple effect throughout the services industry, will always be a cornerstone of our economy, and anything that hurts it hurts the economy," says Mohamed Oualp, the senior general manager of MIBank.

Indeed, the number of tourists visiting Egypt earlier this year had dropped by at least 50 percent; last month, there were only about 1,000 tourists a day visiting the Pyramids, compared with 4,000 a day a year ago. This drop is a blip on the screen, however, in terms of long-term development.

"As long as the Pyramids are standing, there is tremendous room for growth in tourism," says Mohamed Barakat, the managing director of the Egyptian Gulf Bank. In fact, there are still fewer hotel rooms in Egypt than in Las Vegas.

Observes Ibrahim Ahmed Kamel, chairman of the Kato Aromatics holding company: "We have tourism investments worth \$50 million, and nothing was canceled because of Luxor. In fact, our total investments will be doubled as tourism further diversifies in the recreational, business, health and adventure travel areas."

Indeed, there is a plethora of new hotels at Red Sea and Mediterranean resorts, and the area between Sharm El Sheikh and Taba has been nicknamed the "Egyptian Riviera." Though former chic haunts, like the Groppi tea house in Cairo and the San Stefano Hotel in Alexandria, are fading landmarks, contemporary tourism includes everything from the world's best-known hotel chains to a Pizza Hut near the Sphinx.

### Royal treatment

There are, for the tourist, even some positive aspects to the current decline. "The buyer is king," says Magd Abaza, general manager of the International Group for Investments, noting that a 50 percent discount is the norm this spring.

"EGYPT: THE STABILITY DIVIDEND" was produced in its entirety by the Advertising Department of the International Herald Tribune. WRITER: Joel Straube-McClure is a freelance writer based on the French Riviera. PHOTOGRAPHS: Barry Iverson. PROGRAM DIRECTOR: Bill Mahler.

## TOURISM'S MONUMENTAL TASK

The challenge is to preserve Egypt's rich heritage while making it available to the world.

Turn over a rock in Egypt and you could make a unique discovery. "Seventy percent of Egyptian monuments have not yet been unearthed," says Zahi Hawass, director of the Pyramids in Cairo. "Egypt still has more buried magic than any other country."

Earlier this year, the undisturbed tomb of an Egyptian official was found in Abu Sir and, beyond the confines of the Pyramids, a visitor can be taken on a private tour to view recent discoveries like the Tomb of Kay and a broken statue of the queen of Ramses II. Ongoing excavations constantly unveil unexplored tombs, shafts, causeways and inscriptions.

"There is so much here that we always need more people, more money and more time," says 27-year-old archaeologist Shaaban Ahmed as he shows a visitor a new shaft at one dig. "There are also new discoveries made about the Pyramid builders, including the discovery of wooden splints used to support broken bones."

It doesn't take new discoveries to underline the importance of Egypt's existing monuments. "The country is simply of monumental and unrivaled historical and cultural importance," says Constantin Christofides, an art professor who was born in Alexandria and now teaches at the Institute of American Universities in Aix-en-Provence, France. "There is no question that the Egyptians were the world's first architects, sculptors, astronomers, painters and

artists. No one should die without seeing the Pyramids, the Cairo Museum and Kamak Temple."

### Victims of success

Yet many Egyptian sites, from Abu-Simbel in the south to the Pyramids of Giza, have suffered from a surplus of tourists and a lack of management. A priority for Mr. Hawass and other archaeologists in Egypt today is to strike a balance between preservation and tourism.

"The Sphinx is the oldest sick man in the world, and we recently closed the Cheops Pyramid for eight months to clean the humidity, graffiti and cracks caused by too many tourists, who cause the level of humidity to rise to 95 percent," says Mr. Hawass, who obtained his Ph.D. in Egyptology from the University of Pennsylvania. "Preservation of the monuments must become as important to the country as showing them off."

In fact, the Egyptian government will have spent \$100 million by 2003 at the Giza Pyramids alone to introduce protective measures that include cleaning and sophisticated ventilation systems, a conservation and archaeology training program, and the construction of a new ring road around the site.

The government is also taking steps to maintain other antiquities throughout the country. The Ministry of Culture has just embarked on a \$72 million program to rehabilitate entire areas of now-dilapidated streets in the Al Azhar area in Cairo.

## SOLOING (OR NEARLY) ON THE NILE

Waves of tourists may come and go, but the Nile is eternal and unchanging.

Egyptians, since the Asian economic crisis, are reluctant to call their country "the tiger of the Nile," a fashionable appellation only a year ago. But the river continues to represent the life of the nation and, as Herodotus said, "Egypt is the gift of the Nile."

The river is evoked nearly everywhere. There are Nile burgers, a Nile bowling alley and a taxi driver who introduces himself as "Stranger in the Nile." Cruising the Nile is, of course, a must for tourists. But why would a 37-year-old woman from Indiana explore the Nile on her own?

Debra Moffitt, a business ex-

ecutive-turned-writer, came to Egypt last March despite warnings from friends about security and the lack of a planned itinerary. She was delighted to find she had the river almost to herself.

There were only 10 people on the Nile Romance, a boat with sleeping quarters for 250, which she took from Aswan to Luxor on a five-day, four-night trip that cost less than \$500 for accommodation, board and guided tours. She visited well-known locales like Elephantine Island, Kamak Temple, Kom Ombo, Philae Temple and the High Dam.

"The Nile has a life of its own — wildlife, riverside inhabitants,

the smell of jasmine — that brings all of these monuments to life," she says, noting that she hopes to return next year to visit Abu Simbel. "I was entertained by an Egyptian colonel and his wife in Aswan, and a vendor at the Edfu temple even offered to buy me for 50 million camels."

While another terrorist incident could certainly occur, Ms. Moffitt was not overly concerned. "Any worries I had about security diminished when I saw the several armed guards on camels at the Pyramids," she concludes. "And after 10 days in the country, I felt safer as a single woman than I've felt in Iowa."



Pyramids, the Nile, Egypt's many well-known temples and tombs — these represent a fraction of the country's rich artistic and architectural heritage.

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Power to the Point

## WORLD ROUNDUP

### Pressure on Luyt

RUGBY UNION South Africa's National Sports Council met Friday to consider its reaction to the refusal of Louis Luyt, the white president of the South African Rugby Football Union, to resign.

The council had threatened a return to apartheid era boycotts if Luyt stayed, but on Friday Muleki George, the head of the council, said Steve Tshwete, the country's sports minister was "confident" Ireland's tour to South Africa this month would go ahead. The council has accused Luyt of failing to bring blacks into the game.

South African rugby's ruling body voted, 15 to 7, on Thursday for Luyt to resign. Even Luyt's son-in-law, Rian Oberholzer, the sport's chief executive officer, failed to support Luyt. But Luyt said the vote was not valid and refused to resign.

"I think the problem will be resolved within the next two weeks," said John O'Neill, chief executive of Australia, which is due to play South Africa in the Tri-Nations series. "There's an inevitability about Luyt's resignation."

The English Rugby Football Union and England's elite clubs ended a dispute on Friday that had lasted almost two years and had threatened England's place in next year's World Cup.

The International Rugby Board had said it would expel England from international rugby unless it reached a deal with its clubs. Graham Smith, chairman of the RFU negotiating team, said Friday that the two sides had negotiated an agreement that would last "a minimum of seven years."

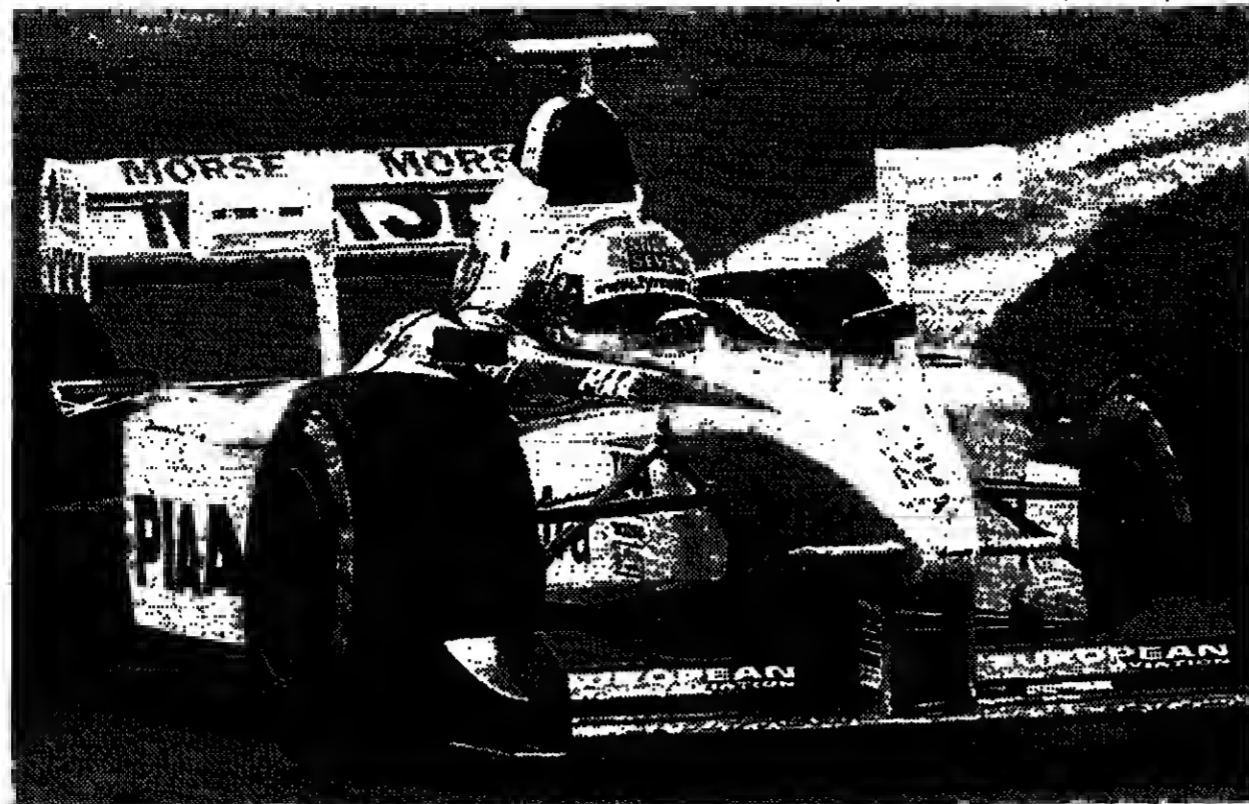
"I think the International Board will accept the game will be run by the RFU," he said.

The deal limits England to eight international games a season. It also limits English players to a maximum of 37 games, for club and country, in a season.

Kevin Bowring ceased to be coach of the Wales team on Friday. The Welsh rugby board said he didn't quit and wasn't fired, but left by mutual agreement. Wales will go to South Africa for a five-game tour in June. (AFP, AP, Reuters)

### Laudrup Will Retire

Michael Laudrup, the Denmark and Ajax Amsterdam striker, said Friday that he would retire after the World Cup. Laudrup, who turns 34 on June 15, the week the World Cup starts, has played 97 times for Denmark, scoring 36 goals. He has played for Juventus, Barcelona and Real Madrid. (AFP)



The Japanese driver Tora Takagi driving an x-wing-equipped Tyrrell in testing for the Spanish Grand Prix in Barcelona on Sunday. The wings, the white appendages on either side of the driver, have just been banned.

## Wings Must Go, Formula One Decides

By Brad Spurgeon  
International Herald Tribune

PARIS — A racing car, wrote F. T. Marinetti, "is more beautiful than the 'Victory of Samothrace'."

The 2,000-year-old Greek sculpture still sits in the Louvre, minus a head, but with her wings gloriously spread. It is unchanged in appearance since 1909, when Marinetti, the Italian founder of "futurism" — an artistic movement that glorified machines — made his comparison. In that time the cars have been transformed. Briefly this season some even gained wings.

But last week, the International Automobile Federation banned Formula One racing cars' latest aerodynamic appendage, which may indicate that aesthetics still count in motor racing.

The extra parts, which were fitted on the side of the car next to a driver's head, are known variously as x-wings, tower wings, side-pod wings, Penguins, candleabra or winglets.

A debate about them started two years ago when Max Mosley, the federation's president, and Formula One car designers.

The modernist dictum that "form follows function" caused most designers to elect to keep the ugly wings, even though they destroy the beauty of a car's natural lines, simply because they make the machines go faster.

The FIA nevertheless ordered that any team using x-wings at the Spanish Grand Prix in Barcelona this weekend,

or future events, may be excluded from the race for "dangerous construction."

"It was purely an safety grounds," said Francesco Longanesi, an FIA spokesman. "We can't take things off the cars based on aesthetics."

Twice this season x-wings have broken off cars in action, and the automobile federation argues that they could hit a driver. But no objections were heard when the wings were created last year by Mike Gascoyne, the designer of the Tyrrell car. Again, nothing was said earlier this year as Sauber, Prost, and Jordan adopted the wings during the first three races.

But when Ferrari started to use them at Imola two weeks ago, a Formula One icon was being defaced. After all, a 1990 Ferrari adorns the permanent collection of the Museum of Modern Art in New York. Originally part of an exhibit in 1993-1994 called "Designed for Speed," the Ferrari is one of three cars in the museum's collection. In an article about the exhibition in the magazine Art in America, Richard Vasey said the racing car "has all the defining characteristics of a work of art." He called it "ravishing," and said it "expresses a complex meaning," and serves an end that is "transcendental or esthetic." Its raison d'être, he added, "is seduction."

Penguins are not seductive, said John Barnard, who designed the 1990 Ferrari. But while Barnard calls them "dreadful," he had planned to use them on his current car, an Arrows.

"Unfortunately with racing it's all about crossing the finish line first," he said. "Aesthetics take second place. If you've got something that you can bolt on that makes it go quicker, you bolt it on. But there's always a touch you can add that may not affect performance one way or the other — a curve here, a radius there — where you're following a line through, that doesn't cost you anything, but aesthetically it makes it look nicer."

Barnard said that x-wings also got in the way of mechanics working on the car, engineers talking to drivers, and during refueling. But wind tunnel tests show they add downforce and make the car more aerodynamically efficient.

Barnard said the teams' designers, who meet periodically to discuss regulations with the FIA, did take aesthetics into consideration. He said that before this season they were asked to create a larger cockpit for safety reasons. For aesthetic reasons, they redesigned the suggested rectangle into a tapering box.

While he agrees that x-wings could be a safety hazard, he has his own list of nifty elements that should go. "The next item on that list is the TV camera on top of the roll hoop," Barnard said, referring to the camera with which every car must be fitted. "TV is the God. You can't touch it. Interestingly, you could make an argument on safety grounds with that, too."

Multicolored paint jobs and sponsor's logos also mar the car's natural line, and that's why he thinks the Ferrari have "historically had a nicer aesthetic look to them," he said. "Because they're one solid color — red — you see a flow of line." His Arrows is solid black, except for the logos.

While Vasey said Barnard's Ferrari looked "femininely voluptuous," with an "implicitly fertile midbody swelling," Barnard sees his Arrows as "a bit like an American football player: It's sort of got big shoulder pads and is over-proportioned, chunky in the middle and tapering off to nothing at the back."

Christopher Mount, the curator of the MOMA exhibition, said Formula One was popular because of "the beauty of the automobiles." But the rules have made them "add on all these space-ship-like things" that "destroy the basic sculptural form of an automobile."

So the FIA decision to ban x-wings serves art as well as safety.

## Even Between Teens, Experience Counts

Hingis and Venus Williams Beat Young Foes

By Christopher Clarey  
International Herald Tribune

ROME — The 17-year-olds got the better of the 16-year-olds in the quarterfinals of the Italian Open on Friday.

It has come to that in women's tennis, which is quickly becoming very young women's tennis. Forget about the dues-paying and other such time-honored principles. You don't need to be able to vote to smack a down-the-line backhand with power and precision.

But even gifted teenagers raised to believe in themselves and their groundstrokes can prove susceptible to pressure, which helps explain why the two most anticipated matches on this sunlit afternoon at the Foro Italico turned out to be duels. In the first, Venus Williams eliminated her younger sister, Serena, 6-4, 6-2. In the second, world No. 1 Martina Hingis disposed of Anna Kournikova, 6-2, 6-4. Both encounters were filled with missed shots and missed opportunities.

This was the second professional match between the Williams sisters, and it bore an unfortunate resemblance to the first, which Venus also won in straight sets in the second round of this year's Australian Open. In Melbourne, Serena, normally an explosive and relatively consistent baseliner, lost her rhythm from the backcourt as Venus slithered but inexorably got her large hands around the match.

In was little different on Friday. The first set was an ode to the unforced error. Venus committed 15, double-faulted three times and had only one service winner. Serena committed 18 unforced errors, double-faulted twice and missed four very makeable groundstrokes when serving to stay in the set at 4-5.

Serena would make 14 more unforced errors in the second set, in which Venus lifted her game slightly. When Serena lost the match with yet another backhand mistake, she trotted dispiritedly to the net, gave her sister's hand a cursory shake and then did the same to the chair umpire's hand, before packing her bag and walking briskly off court while Venus stayed to give interviews and sign a few autographs (after such a poor quality match, demand did not exceed supply). It was quite different to Australia, where the sisters bled hands and bowed to the crowd.

"That was just a one-time thing," Serena said.

For those who watched Serena dominate the former clay court master

Conchita Martinez on Thursday, it was a strangely muted performance, and Serena was not eager to help solve the mystery. "I don't know; things happen, I guess," she said.

But if anyone thought Venus's victory might drive a small wedge between the sisters, they needed only to watch them play doubles later in the afternoon. They slapped each other's hands and shared confidences in customary fashion en route to a straight-sets victory.

So why can't they bring out the best in each other when they are on opposite sides of the net?

"I guess it's a different situation than normal," Venus said. "If we were to play in the final, it would be a little different. But as long as the tournament is not over, we'd like it better if we were both still in the draw."

Venus, playing in her first Italian Open, will face Arantxa Sanchez Vicario, 26, in the semifinals. Sanchez Vicario rallied to beat Lisa Raymond of the United States, 6-7 (6-8), 6-1, 6-2, and looked fit and fresh enough to keep playing another three sets. Sanchez Vicario beat Venus easily in the final of the Sydney event in January, and though Venus has added layers to her game since then, the Spaniard will be favored again on clay, the surface on which she has won two French Opens.

In Saturday's other semifinal, Hingis will Mirjana Lucic, a 16-year-old Croatian, who advanced when Sandrine Testud defaulted with a leg injury after losing the first set, 7-5.

The only real difficulty Hingis experienced against a clearly jittery Kournikova was on the final point. Hingis led, 5-0, after only 14 minutes of play and had her first match point at 6-2, 5-1 on Kournikova's serve. But after Hingis missed a straightforward forehand, the graceful Russian finally began to give her gallery of young Italian admirers reason to appreciate her tennis.

She would win the next three games and save four more match points before Hingis finally regained control. Nonetheless, the match was far less compelling than their three-set encounter in the third round of the Australian Open. Hingis holds a 4-0 career edge over Kournikova, who is eight months younger and also never beat Hingis during their junior careers.

"That's important, especially mentally," Hingis said. "You could see it in the match. When she was out there, she was nervous and didn't really know what to do. So it helps me."



Venus Williams stretching for a forehand as she beat her sister, Serena.

## Capitals' Kolzig Holds Off Senators, 4-2

The Associated Press

WASHINGTON — Olaf Kolzig, the Washington goalkeeper, had another busy night as the Capitals opened their Eastern Conference semifinal with a victory.

Kolzig made 36 saves Thursday as Washington beat the Ottawa Senators, 4-2, continuing the form he had shown in the first round of the playoffs when he led all

goalies in total saves.

"Olie was outstanding," said Ron Wilson, the Capitals' coach, repeating three words he seems to use after every game these days. "They shoot the puck a lot. I felt a lot of their shots were perimeter shots. Olie's a tough guy to beat from a distance."

The only goals allowed by Kolzig, who is 6-foot-3-inches (1.9 meters) tall and weighs 225 pounds (102 kilograms), came from Daniel Alfredsson on a 2-on-1 break in the first period and Andreas Dackell's backhand on a power play in the third.

"I didn't realize he was so big," said Bruce Gardner, an Ottawa center, adding that with a goalie like that, "You've got to get him moving side to side, giving up rebounds or deflections."

At the other end of the ice, Damian Rhodes struggled and was replaced by Ron Tugnutt after Washington scored its fourth goal. Rhodes was hot during the first-round upset of the New Jersey Devils, but Tugnutt has won seven of eight games against the Capitals over two seasons.

Adam Oates, Peter Bondra and Brian Bellows scored for Washington and have a combined 101 career playoff goals, 43 more than the entire Ottawa team.

Ottawa outshot the Capitals, however, 38-23. "Being outplayed doesn't mean anything," said Craig Berube, another member of the Capitals' never-30 crowd. "It's the scoreboard that counts, and we try to keep everything in perspective and not panic."

The Capitals also got a first-period goal from Richard Zednik, a rookie.

Stars 3, Olie 1 Sergei Zubov, a defenseman, scored on two long-distance slap shots, and Ed Belfour sparked in goal as Dallas beat visiting Edmonton.

Zubov powered two long shots past Curtis Joseph in the first period for a 2-0 lead for the Stars. Mike Keane added an insurance goal early in the third period when he beat Joseph in the glove side after a goal-mouth feed by Mike Modano. It was Modano's third assist of the game.

Belfour made 31 saves. Joseph, who didn't allow a goal in the last 166:54 of the playoffs after posting back-to-back shutouts against Colorado in the first round, gave up three goals on just 14 shots.

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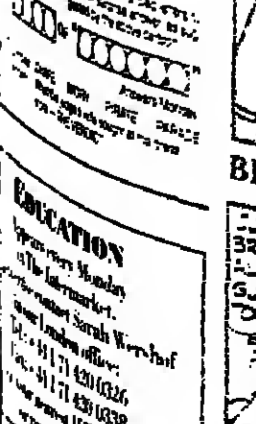
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## To Judge Is Divine

Perhaps you are concerned that I, a humor columnist with no formal training or expertise in the field of dogs, was on the judging panel. You will be relieved to know that there were also two professional cartoonists, Mike ("Mother Goose

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## Paris Holds Aloft the Philosophical Banner

**FAST REUNION** — The stars of "The Wonder Years," Danica McKellar and George Clooney, celebrating the show's



as a child hairdresser, music star, and her children's education. She placed in the band, George, and two step-

and earned her living as a before becoming a country did in her will that she wanted and grandchildren to get an the bulk of her estate was be trusts benefiting her hus- Richey, her four children children, and her grandchild-

of France's best known jazz musician, Michel Petrucciani, wants to ser-

Anne Marie Leblanc, a real-estate agent, said she is a regular at the philo-café: "It helps me to pause, and I find the promise of wisdom very exciting."

"Most of all," she added, "it's the pleasure of being together and, while being together, question ourselves."

Tammy Wynette, who picked cotton as a child and earned her living as a hairdresser before becoming a country music star, said in her will that she wanted her children and grandchildren to get an education. The bulk of her estate was placed in three trusts benefiting her husband, George Richey, her four children and two stepchildren, and her grandchild-

One of France's best known jazz musicians, Michel Petrucciani, wants to ser-

Kirk Douglas took to the op-ed pages of the Los Angeles Times to lament the media's focus on sex gossip. He used the conversation with his son, Michael Douglas, to make his point. "Dad, you took the time to travel all over the world, at your own expense, talking about democracy in America. I want to do something for my country, too," Michael said. "Well, why don't you?" the father asked. "How?" "Go into politics," "Politics?" Michael laughed. "What's so funny?" "Oh. Dad. Politics? And have them bring out that I smoked pot in college and Linsholt! And they will write about every love affair I had — or didn't have." The elder Douglas concluded: "Our generation has certainly left a mess for our children and grandchildren to clean up. But I have faith. . . . They will overcome the obstacles and fulfill the promise of America."



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## Rushdie Criticizes U.S. as Soft on Iran

**DUBLIN** — Salman Rushdie, the British author who is facing a death sentence for his novel "The Satanic Verses," criticized the European Commission Sunday for failing to condemn the Islamic ban on the book.

Inside, who made a surprise appearance at a conference of the EU had been "by invitation only" and a soft-spoken, middle-aged man with a friendly smile.

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